S. Hrg. 99-694

SMALL BUSINESS IN FEDERAL PROCUREMENT: RESULTS OF COMPETITION ADVOCACY AND SPARE PARTS BREAKOUT PROGRAMS

HEARING

BEFORE THE

COMMITTEE ON SMALL BUSINESS
UNITED STATES SENATE

NINETY-NINTH CONGRESS

SECOND SESSION
ON
SMALL BUSINESS IN FEDERAL PROCUREMENT: RESULTS OF COMPETITION ADVOCACY AND SPARE PARTS BREAKOUT PROGRAMS

OKLAHOMA CITY, OK—MARCH 22, 1986

Printed for the use of the Committee on Small Business

U.S. GOVERNMENT PRINTING OFFICE
61-506 O WASHINGTON : 1986

For sale by the Superintendent of Documents, Congressional Sales Office
U.S. Government Printing Office, Washington, DC 20402

S721-12

COMMITTEE ON SMALL BUSINESS

LOWELL WEICKER, Jr., Connecticut, *Chairman*

RUDY BOSCHWITZ, Minnesota
SLADE GORTON, Washington
DON NICKLES, Oklahoma
WARREN RUDMAN, New Hampshire
ALFONSE M. D'AMATO, New York
BOB KASTEN, Wisconsin
LARRY PRESSLER, South Dakota
BARRY GOLDWATER, Arizona
PAUL S. TRIBLE, Jr., Virginia

DALE BUMPERS, Arkansas
SAM NUNN, Georgia
JAMES R. SASSER, Tennessee
MAX BAUCUS, Montana
CARL LEVIN, Michigan
ALAN J. DIXON, Illinois
DAVID L. BOREN, Oklahoma
TOM HARKIN, Iowa
JOHN F. KERRY, Massachusetts

Robert J. Dotchin, *Staff Director*
William B. Montalto, *Policy Counsel*
John W. Ball III, *Minority Chief Counsel*

CONTENTS

Statement of Senator: Page

Nickles, Hon. Don, a U.S. Senator from the State of Oklahoma, and acting chairman, Committee on Small Business 1

Statement of:

Adams, Ladd M., president, Entek Corp., Norman, OK 69
Carter, Jim W., president, Carter Chevrolet, Okarche, OK, accompanied by Betty Verali 93
Castleberry, Garland P., Director, Mike Monroney Aeronautical Center, Federal Aviation Administration, Oklahoma City, OK, accompanied by Ben W. Ridgeway, Manager, Procurement Division; and Gloria J. Abram, Small and Minority Business Specialist 185
Clements, Richard D., manager, Industrial Development, Oklahoma City Chamber of Commerce, Oklahoma City, OK 103
Fitzgerald, Phillip D., president, Fitzgerald Associates, Oklahoma City, OK 89
Gordon, Stephen B., Ph.D., manager, Research Services, BidNet, Rockville, MD 152
Hebert, Lafair, president, A-Bear Janitorial Service Co., Oklahoma City, OK 99
Jerd, Frank, vice president of sales for North America, Telex Computer Products, Inc., Tulsa, OK, accompanied by Ronald Smith, vice president, Federal Government marketing 214
Mertz, Don, president, Mertz, Inc., Ponca City, OK 86
Miller, Lloyd B., State director, Oklahoma Small Business Development Centers, Durant, OK, accompanied by Carl R. Echols, State training coordinator 110
Quigley, Jesse R., Assistant Regional Administrator for Procurement Assistance, Region VI, Small Business Administration, Dallas, TX, accompanied by John Bateman, supervisor, COC Program, SBA Region VI; Frank G. Miller, Breakout PCR; and Harry Turk, PCR, Tinker Air Force Base, OK 36
Schaaf, A. David, director, Federal Marketing Development Division, Indiana Department of Commerce, Indianapolis, IN 115
Shreve, Peggy J., president, Frontier Engineering, Inc., Stillwater, OK, accompanied by Ed Shreve, engineering technical director; and Rick Cope, engineer 75
Smith, Brig. Gen. Richard D., Deputy Chief of Staff for Contracting and Manufacturing, Headquarters, Air Force Logistics Command, Wright-Patterson Air Force Base, Dayton, OH, accompanied by John W. Schultz, competition advocate; and David W. Barghols, chief, Small and Disadvantaged Business Utilization Office, Tinker Air Force Base, OK 6
Walker, Donald T., director of material, Tulsa Facility, Rockwell International Corp., Tulsa, OK 198

APPENDIX

Statement of Gregory L. Higgins, Jr., State coordinator, Florida Small Business Development Centers, Pensacola, FL 238
Letter dated March 18, 1986, to Senator Nickles, from John Choate, treasurer, Apollo Systems, Technology, Inc., Sand Springs, OK 259

SMALL BUSINESS IN FEDERAL PROCUREMENT: RESULTS OF COMPETITION ADVOCACY AND SPARE PARTS BREAKOUT PRGRAMS

SATURDAY, MARCH 22, 1986

U.S. SENATE,
COMMITTEE ON SMALL BUSINESS,
Washington, DC.

The committee met, pursuant to notice, at 10:30 a.m., in the Officers Club, Building 5603, Oklahoma City Air Logistics Center, Tinker Air Force Base, OK., Hon. Don Nickles (acting chairman of the committee), presiding.

STATEMENT OF HON. DON NICKLES, A U.S. SENATOR FROM THE STATE OF OKLAHOMA, AND ACTING CHAIRMAN, COMMITTEE ON SMALL BUSINESS

Senator NICKLES. General Bowden, thank you very much for your hospitality and the hospitality of Tinker Air Force Base. And I'll tell you, not only speaking for myself but on behalf of all Oklahomans, we're very proud of Tinker; we're very proud of the employees of Tinker Air Force Base. You are the largest employer in the State of Oklahoma, and the contributions which you make to our State and the contributions that you make to our national defense are very much appreciated. Maybe we don't say that often enough, but you make a very valuable contribution to our State and we're most appreciative of the efforts that you make. And we're proud of the employees and the personnel and the work that they've done.

I also want to thank the individuals. Many of you came—some came from the panhandle of Oklahoma this morning, so they had to leave early. So we have a lot of people from all across the State that did join us this morning to talk about Government procurement. And that's the reason why I'm here, as well.

I want to find out exactly what is going on in Government procurement. It's my opinion that in Oklahoma we're not getting our fair share of Government contracts.

We've done a little homework. I'm chairman of the Government Procurement Committee in the Senate for Small Business, and after reviewing some statistics, we found out that the Federal Government spends approximately one-fifth of the total budget for procuring goods and services. In 1984, $184 billion was spent nationwide for purchases from the private sector; however, Oklahoma companies received only about $700 million of this, and ranked 36th in the Nation.

We found out that many of our neighboring States even did better than we did, substantially better. We do less than a third of what our neighbors to the north, Kansas, do in total Government procurement. We do considerably less than Missouri; we do less than Arkansas. So we found out that we rank last in this region. We want to get more Oklahoma jobs competing and bidding, and hopefully successfully bidding, for Government share of contracts.

At Tinker Air Force Base, as General Bowden just mentioned, there were over $3.5 billion in contracts awarded just last year. Of that amount, only $964 million was competitively bid, and the rest was awarded to sole source contracts. Oklahoma companies received only $98 million of this amount, and the rest went, of course, to the other States. And that was less than 3 percent of the total awards from Tinker.

Again, this only serves to demonstrate that Oklahoma businesses are not getting our fair share.

As a small businessman myself, I've also been frustrated by the redtape required to compete for Federal contracts. My background is Nickles Machine Corp. in Ponca City, OK. It's one that was started in 1918, and I remember back then my grandfather made the statement, well, the Government contracts are difficult, and you'd be better off if you didn't mess with those contracts.

And we've found a lot of private firms that made that same type of statement. Well, it's too much paperwork, too much bureaucracy. We want to change that. We want to change it and we want to get as many people competing and bidding on Government contracts, because I think that's really a solution to a lot of our problems.

We had a hearing last year where we went into small parts procurement, and some of the problems that we've all seen and heard in small parts procurement—for the expensive parts and hammers, Allen wrenches, you name it—and some of the examples that a lot of my colleagues have exploited for political purposes sometimes. But to eliminate those problems, I think the real solution is more competition, and to get more competition from firms like Oklahoma firms where we have a very competitive labor area. We have a very competitive situation today with the fact that our economy is depressed as it is today. We have a lot of firms that are hungry. And when you have hungry firms, they'll make good bids. And I think we can save some money, and we will get more bang for the buck in our defense dollar.

And we're in a difficult situation right now in budgetary schemes because we need to reduce the amount of expenditures in every area, including defense. And in my opinion, we can save some money in Government procurement if we can give a greater percentage of our contracts to be competitively bid and get more firms bidding—like, Oklahoma firms may be competing with some of the more expensive firms in the North and the East. And we can save some big bucks, and we can employ more people in our State of Oklahoma at the same time.

So that's our purpose today.

[The prepared statement of **Senator Nickles** follows:]

U.S. SENATOR
Don Nickles
OKLAHOMA

FOR IMMEDIATE RELEASE

CONTACT PAUL LEE
202/224-5754

Opening Statement of Senator Don Nickles
Federal Procurement Opportunities for Oklahoma Business
March 22, 1986

Oklahoma businesses are not getting their fair share of government contracts! This fact becomes strikingly clear after reviewing the statistics. The Federal Government spends approximately one-fifth of its budget for procuring goods and services. In 1984, $184 billion was spent for purchases from the private sector. However, Oklahoma companies received only about $700 million of this amount and ranked 36th in the nation.

As the Chairman of the Government Procurement subcommittee, and someone deeply concerned about our State's economy, I will be devoting a great deal of effort to boost Oklahoma's share of government business.

Here at Tinker Air Force Base, for example, $3.5 billion in contracts were awarded in 1985. Of this amount, $964 million was competitively bid and the rest was awarded to single sources. Oklahoma companies received only $98.7 million of the competitive bids and less than 3 percent of the total awards. Again, this only serves to demonstrate that Oklahoma businesses are not getting their fair share.

As a small businessman, I have also been frustrated at the red tape required to compete for federal contracts. The machine company which has been in my family since 1918 recently completed a quality assurance program which is the first step in federal contracting and subcontracting. It is a difficult and expensive process. I have experienced, first hand, the problems that small and medium-sized businesses face in this area. Many times they simply do not have the resources needed to obtain federal contracts.

In order to help Oklahoma businesses get a larger share, several changes in the procurement laws have been made. I chaired a hearing in Oklahoma City at the beginning of 1984 to explore ways to open more contracts to competition. This was in response to the over-pricing of parts purchased by the Department of Defense such as $600 claw hammers and $300 bolts. As anyone can tell you, the best way to bring down the price for a particular product--be it horseshoes or hand-grenades--is to open it to competition. This is exactly what my colleagues on the committee and I set out to do when we passed the Competition in Contracting Act of 1984.

That legislation requires more contracts to be subject to full and open competition. The effect of this new law is just now being assessed. We will soon have procurement data showing the distribution of contracts after the Act went into effect. What we are doing here today is seeing if, in fact, the changes are being implemented and business in Oklahoma is able to take advantage of the procurement opportunities that exist.

We will hear from representatives of the Air Force Logistics Command, officials here at Tinker, and small and large contractors who have experienced both success and difficulties in the procurement process. We will also receive testimony from procurement development specialists who are working to give businesses that are inexperienced in federal procurement the ability to compete for these contracts. Finally, we will hear from the procurement representatives from the Mike Monroney Aeronautical Center which has a significant procurement program in Oklahoma City.

As a follow-up to this hearing, I will be sponsoring a procurement conference on Thursday, April 3 in Oklahoma City. The conference is designed to give Oklahoma businesses the know-how needed to submit and win federal contracts. Representatives from both the civilian and military agencies will be represented as well as prime contractors who will offer subcontracting information.

I appreciate the willingness of the witnesses to come here to testify on a weekend on their own time and expense. We will proceed with the first panel.

Senator **Nickles**. We have some outstanding witnesses today, and I appreciate everyone's cooperation. The Senate is in session, so that's one of the reasons why we're having this hearing on Saturday; but we also wanted to have it because we have a lot of business people who said, I can't make it during the week but I can be there on a Saturday. And, yes, I'd like to learn more about how I could get some Government contracts.

And so today we have a number of outstanding individuals to explain where we are, and maybe the magnitude, the scope of what's out there.

We also will be having next—what, April 4?

Mr. **Bernhardt**. The 3d.

Senator **Nickles**. April 3 in the Myriad, we'll be holding a procurement seminar. It will be sponsored by the Commerce Department, and I don't know if most of the audience has been invited to that or not. Most of you received a notice on that procurement seminar April 3? Quite a few of you?

Well, for those of you who haven't, we will have some information available, but this will be at the Myriad on April 3. It will be sponsored by the Commerce Department; Senator Boren and I are sponsoring it. I'm the principal sponsor. We're going to have the Department of Defense; we're going to have civilian agencies; we're going to have prime contractors, all in trying to go through the nuts and bolts of how to successfully bid on Government contracts, to find out if there is something there for you or your firm that might be to your advantage in Government procurement.

Again, when you look at the total procurement dollars nationwide, not just talking about Department of Defense but all the variety of agencies, $184 billion. That's quite a marketplace, and it's an open marketplace and we find a lot of firms in Oklahoma have not ventured into it that are interested in venturing into it, and we want to make that possible.

So today we will kind of examine what we've done in the past and where we are; what's available at Tinker, the FAA, and the Monroney Center; what the Small Business Department is doing; and what David Barghols is doing with the Small and Disadvantaged Business Utilization Office. They've been very active. We're going to hear from individuals who have been successful and we'll also hear from individuals that have not been successful in trying to deal with Government procurement—again, find out what some of the problems are and also hear some of the success stories of how it's worked.

We'll also have some statements, too, from other individuals who have done a substantial amount of Government procurement and what they're doing in their small business programs, as well. So I think it will be an interesting hearing.

I have read most of the statements that were given to me earlier; and I will request, if possible, individuals to summarize their statements. We will enter into the record the entire statement, and that might be able to expedite it. And also, it would allow us to have a little greater time for some discussions, questions, and answers at the conclusion of the statements.

I really am pleased that we have Gen. Richard Smith as our leadoff witness today. He's Deputy Chief of Staff for Contracting and Manufacturing of the Headquarters, Air Force Logistics Command from Wright-Patterson Air Force Base in Ohio.

Maybe you ought to introduce the people who are accompanying you; we're pleased that you're here.

We also have Jesse Quigley, who is Assistant Regional Administrator for Procurement Assistance in the Small Business Administration from Dallas.

So to all of our witnesses who came from a distance to join us on Saturday morning, maybe you'd prefer to be playing golf or fishing or whatever. But I thank you for your cooperation before this committee. You've cooperated with us in Washington, DC, as well, and we thank you. We look forward to your comments.

General Smith.

STATEMENT OF BRIG. GEN. RICHARD D. SMITH, DEPUTY CHIEF OF STAFF FOR CONTRACTING & MANUFACTURING, HEADQUARTERS, AIR FORCE LOGISTICS COMMAND, WRIGHT-PATTERSON AIR FORCE BASE, DAYTON, OH, ACCOMPANIED BY JOHN W. SCHULTZ, COMPETITION ADVOCATE; AND DAVID W. BARGHOLS, CHIEF, SMALL AND DISADVANTAGED BUSINESS UTILIZATION OFFICE, TINKER AIR FORCE BASE, OK

General SMITH. Thank you, Senator Nickles. I'm pleased to be here and represent the DOD and the Air Force Logistics Command in particular. With me today I have Mr. John Schultz, who is our director of competition advocacy here at the Oklahoma City Air Logistics Center, and also Mr. Dave Barghols, who is our chief, Small and Disadvantaged Business Utilization Office here at Oklahoma City.

Sir—I have a lengthy statement. If you'd just insert it in the record in it's entirety, and I'll have some general comments, and then we can move on to the more informative part.

Senator NICKLES. I read your statement this morning and I appreciate your doing that. Thank you.

General SMITH. Yes, sir.

The subject of small business participation in the Federal Government as it relates to the Air Force Logistics Command, we believe, is very important. We are the high volume buyer in the Air Force. Our 4,100 people completed about 375,000 contracts last year, and spent about $13.2 billion in doing that. We buy all the spare parts and the maintenance for the Air Force at the central level. About $8 billion of the $13 billion we spent was for spare parts. And so the small business community is an extremely important part of the industrial base for our command.

Our efforts to attract qualified small business in AFLC is not the result of public law but it's a result of good business sense. Small businesses, we have found, usually give us better prices, better quality and on time.

Two years ago when I appeared before your committee I outlined, I think, a very ambitious program that we had in the AFLC and the Air Force to "clean up our act" in spare parts purchasing. I'm pleased to report we've done that.

Not only is the spare parts buying process healthier, better than ever before, resulting in more readiness for the budget, but the initiatives have a very positive benefit on the small business program of AFLC.

If I could, I'll just hit some of the high points on that very rapidly.

We've expanded in AFLC our competition and breakout program. We do that by examining each part that we buy on a part-by-part basis along with analyzing the data we have in making the hard decision as to whether we can compete or not.

We've formed a new organization to do that, increased our manpower by six times from 150 to about 900 across the command. And that group works for Mr. John Schultz here in Oklahoma City, where he has about 185 of that 900 people involved in parts screening. The result of that screening: First time competitive parts for fiscal year 1984—12,564 in AFLC, another 14,812, in fiscal year 1985, and we're running about the same rate this year, 4,338 through the first quarter of fiscal year 1986.

Senator NICKLES. Those are new parts?

General SMITH. These are parts that are competed for the first time. Many of them are new parts; many of them are parts that were previously sole source.

Senator NICKLES. So for the most part, those were sole source contracts in the past which are now becoming competitive bid items?

General SMITH. Yes, competitively bid items because of the activity of this organization devoted to competition advocacy. That activity also shows in our competitive percentages of our dollars awarded, which went from 24.6 percent last year to a high of 33.7 percent. This is a new record for the command.

Add items purchased as follow-on to previous competition to that and, we, in fact, had competitive arrangements in about 77 percent of our dollars.

Senator NICKLES. General, let me interrupt again, and I'll try not to interrupt our witnesses so you can go through your statement——

General SMITH. Yes, sir.

Senator NICKLES [continuing]. But I want to make sure I understand. You used to have competitive bids on 24 percent of your items and today it's 33 percent?

General SMITH. On dollars, sir. We compete about two-thirds of our contracts, but that only accounted for 33.7 percent of our dollars.

Senator NICKLES. So you have competitive bids on two-thirds of the items but in dollar volume, one-third is competitively bid?

General SMITH. On two-thirds of our contracts we have competitive bids, sir, and items—I think it's 60 percent—are competitive last year in our screening, wasn't it?

Mr. SCHULTZ. Close to that.

General SMITH. Close to that.

Senator NICKLES. Two-thirds of the contracts and 60 percent of the items?

Mr. SCHULTZ. Yes, sir.

Senator NICKLES. Go ahead. Excuse me for interrupting, but that's kind of——

General SMITH. That's all right.

The impact of this activity on the Small Business Program is obvious. It's a greater population of parts than they can bid on, and can come directly into our business. In other cases, our competition advocacy office is breaking parts out from prime manufacturers and buying directly from the firms which manufacture the parts, often small businesses. We have also expanded our effort to qualify sources including small business. We have, of course, many parts where the critical application is such that we have to qualify a source. We want to ensure that the company can make the item, and we prequalify bidders. In fiscal year 1985, we had about 7,300 requests in our command for qualification, many of these by small businesses. We made decisions on 75 percent of those. The others, at the end of the year, were still in process. But I think the key is that of the ones we made decisions on—76 percent of the new sources were qualified. Again, that expands the potential business base for small business.

The third activity that I'd like to mention just very quickly is we're trying to increase the access of the small business into AFLC contracting. I know at times our business is very difficult for a small business, and maybe even mystical for a small business company to understand. We've expanded our contacts with the small business community through offices like Mr. Dave Barghols' and through, trade fairs, We've tried to link up with the National Tooling and Machining Association [NTMA], and a large amount of one-on-one assistance. In addition, we've tried to make our business more visible, expanding the notices we have in the Commerce Business Daily, where we show materials and sizes and processes so companies know more what they're looking at, and we're planning to continue those steps. I believe it has paid off.

We awarded about $1.7 billion to small business out of our command this last year, which was a new record. We met all of our small and disadvantaged business goals in the command, and Tinker Air Force Base--this ALC—met all of their goals.

In a larger sense, we have documented a cost avoidance savings through our new contracting procedures over the last 2 years of about $964 million, nearly $1 billion.

Senator NICKLES. Over a 2-year period?

General SMITH. Over a 2-year period, yes, sir.

And that is by comparing the prices we paid in 1984 and 1985 to the prices for the same parts in 1983. We've done that through buying bigger quantities, through the breakout process, through competition, and, very honestly, just being tougher at the negotiation table.

As I stated, I believe we have cleaned up our act.

I have one concern, sir. As we open our business to additional sources, I've seen an alarming number of terminations for default in our command. From 1982 to 1985, we've terminated for default 296 percent more contracts than we did previously. Some of that, I believe, is because of poorer performance. Some is because we are being more demanding—when we sign our contract we must have delivered what we signed up for. Termination for default is a heavy price, both for the small business involved—in fact it, threatens its very existence; and, of course, we pay a very heavy price because we do not have the item that we contracted for, and we pay a heavy price in readiness. And we're going to continue to increase our emphasis on up-front determination of qualification in order to keep from having these terminations for default. And that's the basis of the one recommendation in my testimony.

With that one reservation, sir I'd say that AFLC contracting is the best I have ever seen. I think we're improving every day. That is even more positive than the best I've ever seen. I think that's good for the Air Force; I believe it is good for small business. I believe it's good for the Nation. We're looking forward to your questions, sir.

[The prepared statement of General Smith follows:]

DEPARTMENT OF THE AIR FORCE

PRESENTATION TO THE COMMITTEE ON SMALL BUSINESS
UNITED STATES SENATE

MARCH 22, 1986

SUBJECT: SMALL BUSINESS IN FEDERAL PROCUREMENT:
CURRENT SUCCESS AND FUTURE OPPORTUNITIES

STATEMENT OF: BRIGADIER GENERAL RICHARD D. SMITH
DEPUTY CHIEF OF STAFF FOR CONTRACTING & MANUFACTURING
HEADQUARTERS AIR FORCE LOGISTICS COMMAND
UNITED STATES AIR FORCE

Not for publication until
released by the Committee on
Small Business, United States Senate

Thank you, Sentator Nickles.

I am Brigadier General Richard D. Smith, Deputy Chief of Staff for Contracting and Manufacturing, Headquarters, Air Force Logistics Command. With me today are: Mr John Schultz, the Oklahoma City Air Logistics Center Competition Advocate, and Mr David W. Barghols, the Director of the Office of Small and Disadvantaged Business Utilization here at Oklahoma City Air Logistics Center.

I appreciate the opportunity to participate in today's hearing on the current status of and future opportunities available to small businesses in the Federal procurement arena, particularly as they relate to the Air Force Logistics Command (AFLC). I believe the progress we made this past year amply demonstrates our commitment to the small business program. All of my remarks today will concern the activities of AFLC. I should note that similar efforts are being made by the other DOD acquisition activities--Air Force Systems Command, Army Materiel Command, and the Navy's buying activities. I would ask that my statement be inserted in the record in its entirety.

Perspective on AFLC Acquisition

First, I believe it is essential that we all have an understanding of the Air Force Logistics Command acquisition task. In simple terms, we provide the material support to the operational commands needed to assure the readiness of the United States Air Force in peacetime and in wartime. We provide the spare parts and other replacement equipment they need as well as the engineering services addressing problems experienced during operational use of our systems. This often leads to the modification of existing weapon systems. We also furnish significant depot repair and overhaul services. To accomplish this workload, we have five depots or Air Logistics Centers, one of which is located here at Tinker Air Force Base. All of them perform similar tasks on different items and weapons systems. Except for the Air Logistics Center at McClellan AFB in California, each of the other four Air Logistics Centers, including the one here in Oklahoma City, is the largest single employer in its state.

Size of Our Business

With this worldwide scope, the sheer size of the contracting business in AFLC is also quite impressive. In Fiscal Year (FY) 1985, our contracting community, totalling around 4100 people, executed almost 375,000 contracts worth 13.2 billion dollars. Almost 62% of the contracts, worth over 8 billion dollars, were awarded for nearly 85,000 different spare parts. (The remainder was for repair and overhaul services and normal base support functions.)

As you can see in Figure 1, AFLC contracting is a high volume operation, with nearly 75% of our awards being less than $25,000.

However, all these contracts total less than 1.5% of the dollars we award.

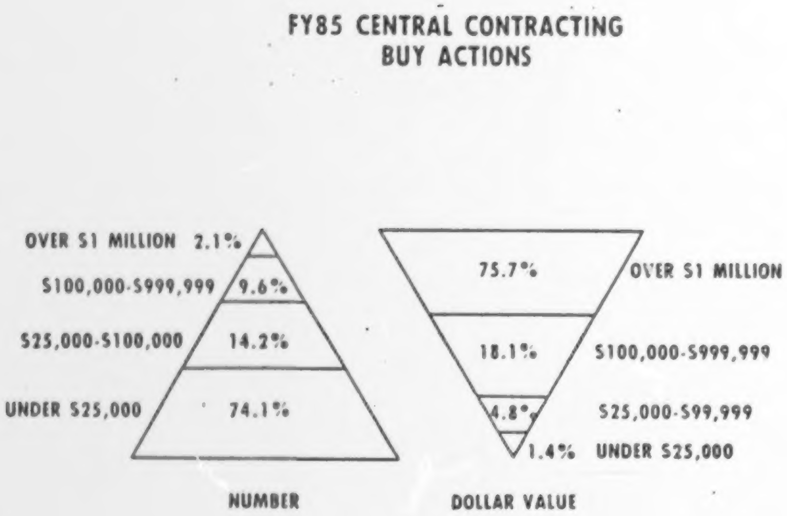


Figure 1

Small Business Involvement

In order to accomplish this wide range of purchases, we rely on the active participation by the industrial community, including small business. Our efforts to involve small business is not simply a matter of Public Law or directives, it just makes good sense to contract with small business firms. Because of their lower overheads, small firms usually give us better prices and they usually provide faster deliveries. This means that we can get the parts to the user more rapidly and improve readiness with reduced funding. Above all, small business is key to the expansion of competition and our industrial mobilization base.

We have continued our aggressive support of this nation's small business programs. In FY 1985 the Air Force Logistics Command awarded $1.677 billion in contracts with small business firms. Over 75 percent of the some 290,000 contractual actions awarded to profit oriented, United States businesses by the Command were placed with small business. Our small business dollar awards in Fiscal Year 1985 represent a 91 percent increase over those awarded in Fiscal Year 1980. In Fiscal Year 1985 AFLC achieved all of our assigned small and disadvantaged business goals.

As a matter of routine, we set-aside acquisitions for small business. When there is a reasonable expectation that offers will be received from at least two responsible small business concerns and contract awards will be made at reasonable prices, acquisitions are set-aside for exclusive small business participation. In Fiscal Year 1985 the Command awarded $793 million in small business set-asides, more than double the Fiscal Year 1980 awards. However, the small business community does not rely totally on set-asides for contract awards. Of the $1.677 billion awarded to small business in Fiscal Year 1985 by AFLC activities, only 52 percent were the result of small business set-asides or Section 8(a) awards. The fact that small businesses won the awards for over $800 million outside of the set-aside programs shows that the small business community fares well in open competition where both small and large businesses participate.

Small Business Initiatives in AFLC

Our actions in AFLC to enhance the Small Business program fall into two categories. First, we are diligently working to decrease the percentage of our business that is sole-source to the large aircraft, engine, and other manufacturers. This action, accomplished through our competition and breakout initiatives, increases the size of the potential business in AFLC for the small business community. Second, we are working very hard to increase the access of the small business community to our Command. I would like to address these initiatives in reverse order.

Within AFLC we have taken actions to further standardize and simplify the Acquisition Process. Small businesses which are pursuing Contracting opportunities benefit from these initiatives.

We have expanded our automated contracting systems and developed standard, simplified solicitation and contract documents. As part of these programs we have developed procedures for annual Representations, Certifications and Acknowledgements. This concept simplifies solicitation documents and relieves contractors of some of the administrative paperwork burden involved in the preparation of bids or proposals. A contractor needs only to fill out the representations and certifications one time a year and they are incorporated by reference into subsequent contractual actions.

The Command has developed and implemented comprehensive criteria for Commerce Business Daily synopses. Under these new procedures more complete descriptions, including critical dimensions, materials, and item applications are included in the synopses of pending acquisitions in the Commerce Business Daily. Firms are able to better understand what we are buying and only request copies of soliciations for requirements that they are capable of producing.

I have personally met with a number of small business representatives during the past year to obtain a better understanding of the problems they face and to explain the opportunities and procedures for contracting with the Air Force. We are pursuing an initiative to foster a better understanding of our needs and contracting procedures with the membership of the National Tooling and Machining Association (NTMA). This organization represents some 3500 firms who are actively engaged in machining and bending metal that we need in the manufacturing of spare parts to support our weapons systems. We have designated AFLC points of contact for the 63 NTMA chapters located throughout this country so that their members will have specific people to contact regarding information on the Air Force Logistics Command market and contracting procedures. Presentations have been made to NTMA chapters, firms have been visited by our people, and firms have visited our activities.

Our Command Small Business Offices and Competition Advocates are actively involved in assisting small firms to improve their knowledge of the government market for their products and services, understand our acquisition procedures and become qualified suppliers to the Air Force. Small business firms who then pursue contracting opportunities must recognize that dealing with the government demands effective strategies to target their market, prepare for sales, prepare bids or proposals and comply with contract terms and conditions. They must recognize that we are a very demanding customer who insists on quality products and services on time from our contractors.

In contracting with the government, firms must be extremely cautious that they don't overextend their capabilities, capacity of financial resources. For example, a study of vendor performance for Oklahoma City Air Logistics center engine parts reviewed first article submittals on 881 noncritical parts. Of those items submitted for first article inspection, only 50.4 percent were satisfactory, another 30.7 percent required correction to discrepancies prior to approval and 19.3 percent or 170 items were disapproved and required resubmittal or the contract was terminated. Delays encountered in having to have parts resubmitted for inspection or to reprocure items as a result of a contract termination have an impact on Air Force readiness. In addition, the effect of having to resubmit items for first article inspection or testing or having a contract terminated for default could be very severe on small firms and in some cases it could prove fatal to their survivability.

Small Business Initiatives in OC-ALC

The Oklahoma City Air Logistics Center, located here at Tinker AFB is a prime example of what our five Air Logistics Centers are doing. They have always been in the forefront in programs to assist small business. They have been active participants in a number of government industry and Congressionally sponsored conferences which are designed to communicate Air Force needs and procedures to the small business community. An example is the Small and Disadvantaged Business Symposium, which was sponsored by Rose State College, the Oklahoma City Logistics Center and other government contracting organizations in Oklahoma in August 1985. The Symposium was responded to at the capacity level. More than 750 people attended, over 350 small business firms were represented, 92 small businesses participated in the trade fair and 33 prime contractors provided counselors to assist firms interested in pursuing subcontracting opportunities.

The Small Business office at Tinker Air Force Base has as professional, active and complete small business program as can be found in the federal government. It is estimated that as many as 90 people a day receive assistance or answers to questions through this office as a result of personal visits or telephone calls.

Competition Advocate Initiatives in AFLC

As I noted before, the cornerstone of our efforts in relation to Small Business is to increase the amount of business that small business firms can bid on. This involves working to "break-out" items from large firms and buy them directly from the actual manufacturer--often a small business. Even more importantly, we are working to increase the number of items we can buy on a competitive basis. When we compete an item rather than buy it sole source from a major manufacturer, the small business potential base is increased.

To accomplish this effectively, we have greatly expanded our manning involved in screening items for buys. By "screening," we mean making the decisions on competitive and breakout potential of each item. This function was assumed by the Competition Advocate Offices in AFLC. The AFLC commitment to this program is obvious from the 1300 personnel we have in these offices.

Competition Advocate Directorates at our Air Logistics Centers exist to "enhance operational capability through increased competition and improved acquisition procedures." The capability to consistently meet these objectives is in large due to the efforts of the Source Development office and the Engineering Data Management divisions in those offices.

The Source Development office actively seeks out new sources capable of meeting our needs. The Source Development office is working to find sources and getting them qualified on a part if necessary.

A primary tool used for expanding a Center's supplier base is market research and surveys. These attempts to identify qualified sources capable of satisfying our requirements are accomplished through various media.

One of these is vendor fairs and trade shows which provide an excellent opportunity for expanding the supplier base. Government personnel can view the type items particular contractors manufacture and explain the source development procedures to interested parties. Our ALCs have not only participated in vendor fairs, but also sponsor our own. Our vendor fairs provide an excellent opportunity to exhibit items we are currently buying sole source, to discuss source qualification procedures with prospective contractors and to expand the centers supplier base.

Also, we provide potential sources with projected buy lists and we initiate direct contacts with individual contractors who are thought to be potential sources for individual requirements.

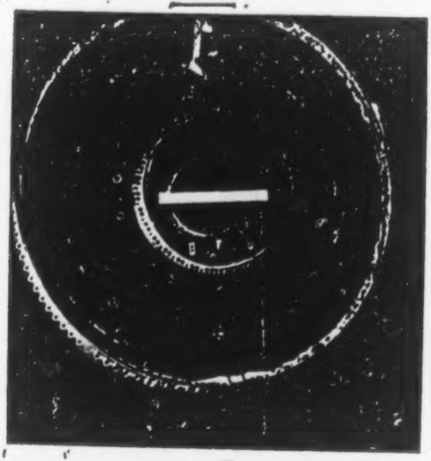
Our source development efforts have proven very successful. For example:

ITEM DESCRIPTION:

CASE, DIFFUSER, TF 33/P7 ENGINE
NSN: 2840-01-167-9604RV, P/N 800228

The Competition Advocate Directorate worked a Source Approval package which resulted in approval of another source in addition to the original equipment manufacturer. The subsequent award was competitive. The quantity was 232 each.

SOLE SOURCE UNIT PRICE:	$ 70,600.00
FIRST TIME COMPETITIVE PRICE:	50,770.00
FIRST TIME COMPETITIVE CONTRACT AWARD SAVINGS:	4,600,560.00
SOLE SOURCE PRODUCTION LEADTIME (PLT):	5 each 11 months After Receipt of Order (5/month thereafter)
FIRST TIME COMPETITIVE PLT:	37 each 6 months after First Article Acceptance (37-40/mo thereafter)



ITEM DESCRIPTION:

Case, Rear Compressor, J79-15/17 Engine
NSN: 2840-01-071-8391PL PN: 9113M80G01

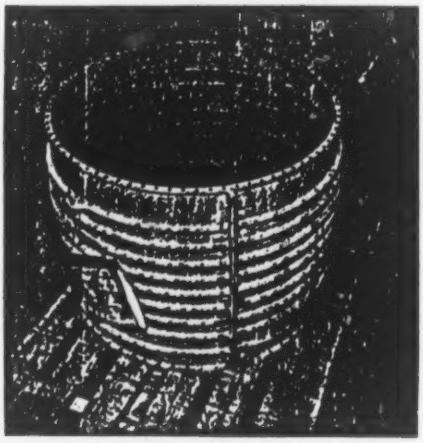
FUNCTION:

A major structure that encases the blades and vanes and provides a vessel for compression of air.

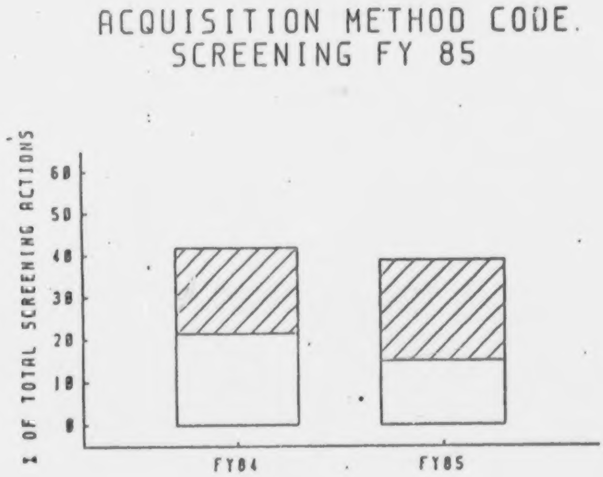
The Competition Advocate attends weekly meetings with personnel from Materiel Management and Contracting and Manufacturing to review anticipated sole-source procurements in excess of $100,000.00. During a meeting in June 1984, all participating members agreed to add four companies as sources, with a requirement for a First Article Test. The subsequent solicitation and award was competitive.

CURRENT SOLE SOURCE UNIT PRICE:	$ 18,950.00
FIRST TIME COMPETITIVE UNIT PRICE:	13,950.00
FIRST TIME COMPETITIVE CONTRACT AWARD SAVINGS:	2,485,107.78
PROJECTED 5 YEAR SAVINGS	12,425,538.90
PREVIOUS PRODUCTION LEADTIME (PLT):	317 days After Receipt of Order
FIRST TIME COMPETITIVE PLT:	30 days after 1st Article Acceptance

SUCCESSFUL CONTRACTOR: Hawker-Siddeley, Orenda Div
Toronto, Canada
CONTRACT NUMBER: F34601-85C1835
CONTRACT QUANTITY: 326 Each



The Engineering Data Management division reviews items to assure they are competed if practical, or acquired from the actual manufacturer where appropriate. During Fiscal Year 84, over 60,000 items were screened for code assignment (Figure 2). Over 40% (25,523) were coded for competitive acquisition. Even more significant, is that 49% of those (12,564) were coded competitive for the first time. During Fiscal Year 85 nearly 62,000 items were screened and 61% of those items coded for a competitive buy were coded competitive for the first time. We're making excellent progress.

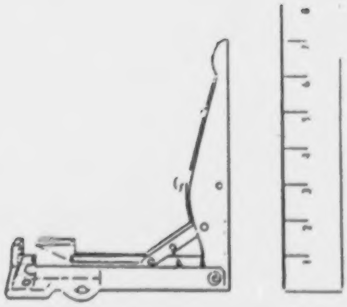


TOTAL ACTIONS	60,677	61,984
COMPETITION ☐	25,523	24,333
FIRST TIME COMPETITION ▨	12,564	14,812

Where we are not successful in challenging limited data rights and cannot buy them, we can reverse engineer those drawings and specifications by physically examining, measuring, and analyzing an item. Our main effort will be through a special program we call Contracting Out Reverse Engineering (CORE). The initial two awards at Oklahoma City ALC under the CORE program are very encouraging. Both awards (Figures 3 and 4) were for latch assemblies on the B-52 aircraft. Both of these assemblies were coded sole source due to proprietary data. These assemblies were bought in substantial quantities in both 1983 and 1984 and were relatively non-complex, thereby making excellent candidates for reverse engineering.

Six proposals were received on the first contract and eight on the second. In both instances a proposal was received from the sole source contractor. However, both contracts were awarded to a new contractor (Curtiss-Wright, Marquett Inc). The cost of the reprocurement data including engineering effort was $4420 for each contract. Even with the cost of the data there were net savings in excess of $19,000 and $16,000 respectively on both contracts. This represents a greater than 30% reduction from the last sole source price. Even more significantly, we can competitively acquire these parts in the future using this data.

CONTRACTING OUT
REVERSE ENGINEERING



SOLE SOURCE PRICE: $ 332.00

COMPETITIVE PRICE: $ 190.00

REVERSE ENG. COST: $ 4,420.00

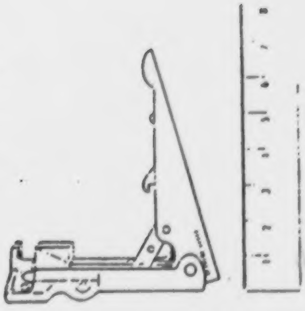
NET SAVINGS: $19,436.00

ITEM: B-52 LATCH ASSEMBLY

NSN: 5340-00-710-7461FG

Figure 3 - Latch Assembly

CONTRACTING OUT
REVERSE ENGINEERING



SOLE SOURCE PRICE: $ 317.00

COMPETITIVE PRICE: $ 190.00

REVERSE ENG. COST: $ 4,420.00

NET SAVINGS: $16,662.00

ITEM: B-52 LATCH ASSEMBLY

NSN: 5340-00-710-7459FG

Figure 4 - Latch Assembly

We expect to improve the competitive position of hundreds of items with a savings of many millions of dollars. An additional benefit of reverse engineering is that it is convincing contractors that the Air Force is serious about competition. Some previously adamant contractors are releasing their rights and others are reducing prices.

Over and above the Contracting Out Reverse Engineering or CORE program is our effort to develop complete reprocurement data packages by our in-house engineers and technicians. Very often we find data packages which are deficient. By adding dimensions, processes, or materials to these packages, we are able to compete them in the future. We have been increasingly active in this effort.

I must point out that what we're doing in terms of source development, engineering data management and acquisition method code screening have, for the most part, been done in the past. The manpower increases we've made for the Competition Advocate (from 160 in FY83 to the 1,300 in FY86) have been the key to increased quality and quantity of screening, thus increasing competition and breakout. We must, however, keep in mind that we will always have some situations where competition or breakout is not possible.

There are three interrelated but distinct categories which prevent development of a more competitive status for some items. The first of these is technical limits. These relate to the inherent but unquantifiable technical limitations in acquisitions from multiple sources. History demonstrates that no matter how similar the processes are, that performance characteristics may be impacted by any change in material and processes. An example is the TF-30 engine fan blade used on the F-111 aircraft. The characteristics of performance of this blade are such that, despite the specifications and dimensions being identical, nuances of manufacturing can make critical differences--yet they are not quantifiable or transferable between sources. The criticality of such parts which could result in loss of an aircraft and life if failure occurs makes such competition extraordinarily risky regardless of the source's apparent qualifications.

Business limits also inhibit our ability to compete. This area transcends, to some extent, both technical and economic considerations. It is a recognized fact in the industry some businesses are so specialized in a given field so as to preclude the development of competition. Some examples of this are Sundstrand's expertise in the development of constant speed drives and integrated drive generation units and Delavan Corp's. advantage in fuel controls. In both cases, the items are their company's life's blood and they have, in essence, cornered the market on technology. As a result competition is virtually nonexistent.

Economic limits are the third category and, arguably, are the cause for the largest number of noncompetitive items procured by AFLC. There are many reasons for this--a lack of adequate data being acquired in systems acquisition, configuration control, the high cost of duplicate tooling, relatively small order quantities, etc. The point to be made, though, is that there are some items which will never be competed because it would never be cost effective to do so. A case in point is the J-79 engine compressor rear frame used on the F-4 aircraft. We historically procure about 50 units per year. The acquisition cost is about $27,000 each. The economic production quantity based upon the minimum material order for the specialized alloy is approximately four times the annual requirement. A second source would require about $1.5 million in specialized tooling and the cost to acquire data would be about $950,000. Even if the Government offered a multi-year requirement the cost to compete could not be amortized sufficiently to make competition feasible.

These examples were not chosen as "worst case" scenarios but as examples where competition is just not practical. They serve to illustrate the point that competition for all items simply does not make good business sense and poses unwarranted risks to systems and personnel. There will always be these kinds of exceptions. The bottom line, however, is that these kinds of decisions must be made on a case-by-case basis. We are making these daily and placing increasing emphasis on competition. We will compete every time it is feasible.

Results

The dollars competitively awarded by AFLC have dramatically increased in Fiscal Year 85. Each year we set a competition goal. For Fiscal Year 85, it was 31% (Figure 5). As you can see in Fiscal Year 85 we achieved an overall competition rate of 33.7%, a significant improvement.

FY	Goal (%)	Rate Achieved (%)
82	N/A	24.1
83	33.0	24.4
84	30.0	24.6
85	31.0	33.7
86	34.0	----

Figure 5

In the last two years, we in AFLC have made a large number of improvements to our acquisition process. Enhanced screening for breakout and competition and developing a closer working relationship with the small business community are part of this.

All of the many initiatives taken to improve spares acquisition in AFLC resulted in an overall cost savings (avoidance) of $529 Million in Fiscal Year 84. This was computed by comparing unit prices for items bought in FY83, multiplied by the quantities purchased in FY84. For FY85, these savings, or cost avoidance, amounted to $434 Million, again using FY83 prices as a base and comparing them to FY85 prices. These savings occurred because of four reasons. First, adequate spares funding allowed us to purchase spares in more economic quantities. Previously, because of funding shortfalls we bought the same part two, three, and often four times a year. We now purchase annual quantities, increase the quantities purchased when we can achieve a major price savings, and even purchase multiple years' quantities when it is cost-effective to do so. Second, as I noted, we have made a dedicated effort to breakout the purchase of spares from prime contractors to actual manufacturers. Most prime contractors have been very cooperative in identifying actual manufacturers in this effort. Third, we have greatly expanded our capability to purchase spares in a competitive environment. As I noted before, in FY84, over 12,000 spare parts were coded for competitive purchase for the first time and in FY85 another 14,000 parts were coded for first time competition. Finally, our personnel have simply been better negotiators of prices when we are in a sole-source buy situation. Better support of the prices of parts has been required; we have used detailed government estimates of should-cost more extensively; and our negotiators have simply been tougher at the negotiation table. All four of these factors have operated synergistically in our system and the $963 Million cost avoidance we have achieved in the two-year period was the result of all of these factors. The order the factors was discussed is our assessment of their relative contribution.

Awards in Oklahoma

Since we are here in Oklahoma, I think it would be appropriate to break some of this data down to this state to see how our business impacts this one state. Table 1 shows the Air Force and AFLC awards in this state for Fiscal Year 1985. The data shows what an impact both AFLC and the Oklahoma City Air Logistics Center have on this state. The key figure is that AFLC made over 90% of the Air Force small business awards in the state of Oklahoma. Sixty-one percent of the AFLC awards were by Oklahoma City ALC. They achieved all of their assigned small and disadvantaged business goals in Fiscal Year 85.

Fiscal Year 1985 Awards Greater than $25,000

to

Oklahoma Businesses and Educational Institutions

		($ Millions)
	Total Awards	Small Business Awards
Air Force	222	86.0
Air Force Logistics Command	160	80.7
Oklahoma City Air Logistics Center	88.2	49.2

Concerns

In spite of the positive things we've been able to do to improve small businesses involvement, we are concerned with some recent requirements. The Federal Acquisition Community is in the process of eliminating a long standing regulatory exemption to Certificate of Competency (COC) provisions of the Small Business Act. In the past we did not refer nonresponsibility determinations on small businesses to the Small Business Administration for COC consideration on small purchases. My concern is the time and effort required to work disagreements between Air Force determinations of nonresponsibility and SBA positive COCs. Our contracting folks could well decide that the effort to fight the COC was not worth it on a small buy and award contracts to firms which should not be considered for our business. We would support a proposal to revise this statutory policy and exempt the requirement for a COC referral whenever small purchases are involved.

Conclusion

We intend to continue working with the small business community in AFLC. I have detailed the initiatives we have undertaken to expand the amount of our buys eligible for Small Businesses through our breakout and competition enhancements. We are also working hard to make our system easier for the small business firm to access. Through these two initiatives, a strong partnership between Small Business and the Air Force Logistics Command can be formed. I must emphasize, however, that all partnerships have mutual obligations. As we expand our base and access, we will continue to demand that our vendors, large and small, deliver products to us on time with the required quality. Air Force business can be very helpful to a small firm but it is not a "pot-of-gold" at the end of a rainbow. Our business is usually very competitive and we intend to drive hard bargains during negotiations when competition does not set price. Practices such as buying-in, shaving quality, or delinquent deliveries will not be tolerated by AFLC activities.

We welcome top quality vendors into our market and are **fully** committed to increasing both competition and the involvement of small businesses. Our efforts to date are achieving very significant benefits.

Sir, this concludes my prepared statement. I'll be happy to answer any questions you might have.

Senator **Nickles**. General Smith, thank you very much for your comments.

Mr. Schultz and Mr. Barghols, do you want to wait until I come back to you?

Mr. **Schultz**. Yes, sir.

Senator **Nickles**. OK. We'll do that.

Mr. Quigley, do you want to go ahead, and then I'll ask the entire panel some questions.

STATEMENT OF JESSE R. QUIGLEY, ASSISTANT REGIONAL ADMINISTRATOR FOR PROCUREMENT ASSISTANCE, REGION VI, SMALL BUSINESS ADMINISTRATION, DALLAS, TX, ACCOMPANIED BY JOHN BATEMAN, SUPERVISOR, COC PROGRAM, SBA REGION VI; FRANK G. MILLER, BREAKOUT PCR; AND HARRY TURK, PCR, TINKER AIR FORCE BASE, OK

Mr. **Quigley**. Thank you, Mr. Chairman. I appreciate the opportunity to appear before you today to discuss the SBA prime and subcontracting programs. On behalf of our regional administrator, Reynaldo Lopez, we are proud to have this opportunity.

I am the assistant regional administrator for procurement assistance in region VI in Dallas. I have brought with me today three of our technical representatives, knowledgeable in their fields. They are, to my direct right, Mr. Frank Miller, who is our procurement center breakout specialist; Mr. Harry Turk, the procurement center representative, and directly behind me John Bateman, who is the supervisor for our COC Program.

I would apologize to the attendees today that my testimony is missing page 11. We will make that available for the record, sir, but it is a part that I'm not going to cover today; it is rather full of statistics and I'm going to leave it out.

Senator **Nickles**. You shouldn't have told me. They might not have noticed.

Mr. **Quigley**. SBA's responsibility for the advocacy and promotion of small businesses in our prime and subcontracting programs is carried out in region VI by just five transitional PCR's, by two teams of breakout PCR's at Kelly and Tinker Air Force Base, and by three commercial market representatives who implement and expand our subcontracting program, which I will talk about a little later.

We cover five States with this small crew of folks, some 560,000 square miles and over 40 Federal procurement centers. There are over 450 firms that have contracts in excess of $1 million within this five-State region that is our responsibility to monitor.

The first program I would like to discuss is the breakout PCR program. Our breakout PCR's were developed as a result of a program started here at Tinker Air Force Base, and also at Kelly, that proved to be valuable in assisting the identification of sources, new sources for competition within the Federal procurement area at the bases where we work, and at times finding items to break out of the general procurement that may have been missed by the command in the enormous amount of workload that they have. So it's sort of a backup system to the command system that is here.

Senator NICKLES. Mr. Quigley, could I interrupt you just for half a second? A lot of our guests today don't know what you're talking about when you mention breakout, PCR, or any of the other nomenclatures that we use a lot of times, so I think I just need to remind myself and other people, too, that we are speaking to a lot of audience who maybe are not familiar with Government procurement and COC's and so on.

Mr. QUIGLEY. All right. We have a staff of four people at Tinker that work in the field attempting to identify procurement opportunities for small business competition, to be set aside for small business competition that have not already been set aside by the divisions that work in this area at Tinker Air Force Base.

We call these personnel Breakout Procurement Center representatives. First of all, they are representatives of the procurement center. Their job is to try to break out or break away opportunities that have not been otherwise identified. That is their sole mission at this area. To do this, they have a number of things that they must, in fact, cover. They, through the law passed by Congress, were charged with doing a number of things. They are to attend provisioning conferences. A provisioning conference is an up front conference where the military, or Department of Defense, or civilian agency, makes decisions on how they're going to procure and what they're going to procure. We are charged with attending the conference and making recommendations at that time, even for small business set asides.

We are charged to review restrictions on competition previously imposed on items through acquisition method coding or similar items. This would be a code that has been given an item that makes it proprietary or makes it more difficult for a small business to compete in. We are looking for ways to challenge those codes so that we can bring more competition in.

We review constraints on competition, whatever they may be, that arise out of these restrictions, and we call them to the attention of the command.

We obtain from any Government source available to us, and make available to personnel at the appropriate activity, unrestricted technical data that we may be able to acquire from outside that will allow that facility then to take an item off of a proprietary, or sole source, and make it a competitive contract.

We are charged with receiving unsolicited engineering proposals from small businesses outside and, when appropriate, conduct a value analysis within house and refer them to the activity.

We assure that buying installations do not use restricted methods to obtain technical data which would hinder small businesses.

We review prequalification requirements on specific items and make recommendations on those that are too restrictive. That is a way we can assist in bringing out new competition.

We identify qualified small businesses. This is the new source that I alluded to, first available to bid on previously restricted items. We try to bring more people into the competitive area, which is what you wanted, and also what the Air Force is definitely looking for.

We also assist potential bidders on technical problems dealing with specific procurements and governmental procurement in general. When small businesses come into our offices, we attempt to assist them.

This team is composed of two engineers—one highly trained procurement specialist, and a person that is a procurement clerk that can keep track of all of our business.

Savings generated as a result of SBA breakout actions at all Air Force Logistics Centers totaled $83 million in fiscal year 1984, and $115 million in fiscal year 1985. We believe that these savings are directly attributable to SBA's Breakout Procurement Center efforts.

We are acutely aware of the need that our breakout PCR's cooperate fully with the competition advocates at their assigned locations to help ensure full and open competition, which is the charge of the competition advocate group. While their objectives are similar, the respective reporting relationships enhance the effectiveness of the overall program in their joint mission. The competition advocate represents the procuring activity and reports to the activity commander. The breakout PCR is an independent presence reporting directly to SBA, a pure advocate for small business and small business set-aside. The breakout PCR is further differentiated from the competition advocate by mandatory engineering credentials and his authority to appeal unfavorable decisions to a higher level. In effect, Senator, and in fact, we are not adversaries but allies with the competition advocates and work as closely as we can with them.

Mr. Chairman, the second area that I wish to discuss with the committee is the Small Business Set-aside Program. I would like to read this in total from my testimony, as I feel it is important.

Our country has experienced a remarkable increase in Federal procurement over the past 5 years, and it is fair to assume that the major portion of the increase has been in major weapons systems and end item purchases. This, by its very nature, is the domain of other than small business because of size and complexity. However, to the credit and tenacity of our small business community, they have retained an approximate average of 20 percent of the total gross Federal procurement. This, in my opinion, is due to the unflinching advocacy of the small business set-aside criteria as stated in the Federal Acquisition Regulations and enforced by approximately 50 of these SBA PCR's who are stationed throughout the United States at various Federal procuring installations.

Closer to home, right here in region VI, our five PCR's reviewed procurement actions at 40 installations that, during last year, totaled $10 billion. Of this amount, $1.4 billion in contracts were set aside for small businesses as a direct result of action by the PCR, or because of his or her presence and subsequent authority to challenge local engineering and procurement decisions regarding solicitation methods.

We think that this is a very important program. We think that it creates a more receptive atmosphere within DOD for small business. We believe that it opens many more doors for small business to come in. It has been well received by the Department of the Defense.

A third area, Mr. Chairman, is our subcontracting program. I will try to do it rather fast, and enter in the record my complete testimony, sir.

Senator NICKLES. Thank you.

Mr. QUIGLEY. The subcontracting portion of our program consists at this time of three people who cover approximately 450 firms that I mentioned earlier that have large contracts in this five-State region. They have two goals. One of the goals is the enhancement of the program for the prime contractors to audit and visit them. The second one is to make recommendations to these prime contractors of small firms that they can use to enhance their subcontracting quotas. The record will show that it has dramatically increased as we've put people out into the field in the past year. We have been received very well by large business. They want this resource, they use it very well, and subcontracting has gone up.

I can tell you that last year in Oklahoma there were only five firms on the list of large businesses that did business, but this year we will be reviewing 10 firms. That is out of 118 firms that were doing it in five States. It is about 9 percent of what we're doing and I'm not sure according to population whether those figures equate in that area

SBA has upgraded its procurement automated source system [PASS]. We feel now that with the emphasis that has been given by the administration to this program that it will enhance the opportunities for small businesses to participate in Federal procurement. There's a number of opportunities for small business when they enter into the program. They can do so from a Federal procurement area; they can do it from coming into the Small Business Administration; or they can go to other Federal agencies that will help them get into the PASS program.

This, sir, covers the three areas that I would have liked to have covered with you.

I have one chart I would like to show and this is not a show-and-tell, sir. This is not to make an example of something, but to show what I believe is the value of the breakout PCR at one of our installations, and it is a simple chart that shows the type of thing that we do that will help lower costs, and Mr. Frank Miller, I believe, has——

Mr. MILLER. You want to talk about the kit?

Mr. QUIGLEY. The kit, yes, sir, if you would.

Mr. MILLER. Senator, this is a kit that was coded competitive in 1982, well before the competition advocate program by Tinker Air Force Base.

Senator NICKLES. They're not going to be able to hear you back there.

Mr. MILLER. The kit, Senator, was coded for open competition, full and open competition under the philosophy that if the majority of a kit is competitive, then certainly the whole kit could be. Indeed, all the parts in the kit with the exception of the last part was standard military parts. If you consider the parts themselves, there are 30 pieces within the kit. All but one of the 30 was full and open competition. Only one part was sole source, source directed to the prime on the kit. Hence, the part was competitive, and no one took a second look at it until a contractor from Ohio called me one day complaining that the kit was sole source to the prime because the prime would not bid the one part to anyone.

I brought this to the attention of the competition advocate people. They immediately established an organic reverse engineering program to convert that sole source part to an Air Force drawing so the parts will be truly competitive.

Now, I don't know what the prime was actually charging for this little tiny speck of nylon, but if all the standard parts are $1.30 out of the supply catalog and we've been paying $75 basically for the entire kit, it's a pretty expensive piece of plastic.

Senator NICKLES. We've been buying lots of those?

Mr. MILLER. There was, at the time this came up, a purchase request in procurement for 350 of these kits that's been terminated pending the results of Mr. Schultz's people getting this part reverse engineered. Then I really believe the kit will be dekitted and the Government will just pick up the parts out of a DISC in Philadelphia.

Senator NICKLES. Is that Tinker Air Force?

Mr. QUIGLEY. Yes, sir. This is what I was trying to show in the way of cooperation. I believe that this is what some of our people have to offer. Something that may have later on down the road been picked up, but at this point in time was picked up by our people working with it. We do not have the authority to change it. All we can do is call it to the attention of the Air Force. It was immediately reacted to by the Air Force.

Senator NICKLES. What you're saying, Mr. Quigley, is that you're getting some good cooperation with Mr. Schultz and his group, and when you find some problems or examples like that as far as taking care of them to see that they don't happen again?

Mr. QUIGLEY. I've not had one uncooperative incident in the 15 months that I've been in charge of this program, sir.

Senator NICKLES. Thank you.

Is that all you wanted to show on that?

Mr. MILLER. Yes, sir, just to reemphasize Mr. Quigley's statement that we're very much aware, SBA cannot qualify a new source. We can't change the competitive code. All we do is bring it to the attention of John Schultz and his people, and they do a superb job with it.

[The prepared statement of Mr. Quigley follows:]

SBA
U.S. Small Business Administration
Washington, DC 20416

STATEMENT OF

JESSE R. QUIGLEY
ASSISTANT REGIONAL ADMINISTRATOR
FOR PROCUREMENT ASSISTANCE
REGION VI

SMALL BUSINESS ADMINISTRATION

BEFORE THE

SUBCOMMITTEE ON GOVERNMENT PROCUREMENT
COMMITTEE ON SMALL BUSINESS
UNITED STATES SENATE

MARCH 22, 1986

Mr. Chairman, I appreciate the opportunity to appear before you today to discuss SBAs Prime and Subcontracting Programs. I am the Assistant Regional Administrator for Procurement Assistance, Region VI, Dallas, Texas. I have brought with me today members of my staff who are experts in their fields and

WHO ARE AVAILABLE TO RESPOND TO SPECIFIC TECHNICAL QUESTIONS YOU MAY HAVE. THEY ARE MR. JOHN BATEMAN, SUPERVISORY INDUSTRIAL SPECIALIST, MR. HARRY TURK, PROCUREMENT CENTER REPRESENTATIVE, AND MR. FRANK MILLER, BREAKOUT PROCUREMENT CENTER REPRESENTATIVE.

SBA'S RESPONSIBILITY FOR THE ADVOCACY AND PROMOTION OF SMALL BUSINESSES IN OUR PRIME AND SUBCONTRACTING PROGRAMS IS CARRIED OUT IN REGION VI BY FIVE TRADITIONAL PROCUREMENT CENTER REPRESENTATIVES (PCRS), TWO TEAMS OF FOUR PERSONS WHO ARE, BREAKOUT PROCUREMENT CENTER REPRESENTATIVES (BPCRS), AND THREE COMMERCIAL MARKET REPRESENTATIVES (CMRS) WHO IMPLEMENT AND EXPAND THE SUBCONTRACTING PROGRAM.

THESE INDIVIDUALS COVER SOME 560,000 SQUARE MILES IN FIVE STATES WITH OVER FORTY (40) FEDERAL PROCUREMENT CENTERS AND HAVE IN THEIR PORTFOLIO IN EXCESS OF 450 FIRMS THAT HAVE LARGE FEDERAL CONTRACTS.

IT IS MY INTENTION TO BRIEF YOU TODAY ON THREE SPECIFIC AREAS OF OUR WORK THAT IMPACT THE SMALL BUSINESS COMMUNITY IN THEIR EFFORTS TO ACQUIRE A FAIR SHARE OF THE FEDERAL PROCUREMENT CONTRACTS.

BREAKOUT PROCUREMENT CENTER REPRESENTATIVES

FIRST, LET ME DISCUSS THE BREAKOUT PCR PROGRAM. BREAKOUT PCRS HAVE SPECIFIC FUNCTIONS WHICH NOT ONLY ENHANCE COMPETITION ON GOVERNMENT PROCUREMENT BUT ALSO PROVIDE OPPORTUNITIES TO SMALL BUSINESS TO BID ON PREVIOUSLY RESTRICTED PROCUREMENTS.

BREAKOUT PCRS

(1) ATTEND ANY PROVISIONING CONFERENCE, OR SIMILAR EVALUATION SESSION, DURING WHICH DETERMINATIONS ARE MADE AS TO WHETHER REQUIREMENTS ARE TO BE PROCURED THROUGH OTHER THAN FULL AND OPEN COMPETITION, AND MAKE RECOMMENDATIONS WITH RESPECT TO THESE REQUIREMENTS TO THE MEMBERS OF SUCH CONFERENCE OR SESSION;

(2) REVIEW AT ANY TIME, RESTRICTIONS ON COMPETITION PREVIOUSLY IMPOSED ON ITEMS THROUGH ACQUISITION METHOD CODING OR SIMILAR PROCEDURES, AND RECOMMEND TO PERSONNEL OF THE APPROPRIATE ACTIVITY THE PROMPT REEVALUATION OF SUCH LIMITATIONS;

(3) REVIEW CONSTRAINT'S ON COMPETITION ARISING OUT OF RESTRICTIONS ON THE RIGHT OF THE UNITED STATES IN TECHNICAL DATA, AND, WHEN APPROPRIATE, RECOMMEND THAT PERSONNEL OF THE APPROPRIATE ACTIVITY INITIATE A REVIEW OF THE VALIDITY OF THE ASSERTED RESTRICTION;

(4) OBTAIN FROM ANY GOVERNMENTAL SOURCE, AND MAKE AVAILABLE TO PERSONNEL OF THE APPROPRIATE ACTIVITY, UNRESTRICTED TECHNICAL DATA NECESSARY FOR THE PREPARATION OF A COMPETITIVE SOLICITATION PACKAGE FOR ANY ITEM OF SUPPLY OR SERVICE PREVIOUSLY PROCURED NONCOMPETITIVELY DUE TO THE UNAVAILABILITY OF UNRESTRICTED TECHNICAL DATA;

(5) RECEIVE UNSOLICITED ENGINEERING PROPOSALS AND, WHEN APPROPRIATE, CONDUCT A VALUE ANALYSIS OF THE PROPOSAL TO DETERMINE WHETHER, IF ADOPTED, IT WILL RESULT IN LOWER COSTS TO THE UNITED STATES;

(6) ASSURE THAT BUYING INSTALLATIONS DO NOT USE RESTRICTED METHODS TO OBTAIN TECHNICAL DATA WHICH WOULD PREVENT SMALL BUSINESSES FROM HAVING FULL ACCESS TO SUCH DATA.

(7) REVIEW PREQUALIFICATION REQUIREMENTS ON SPECIFIC ITEMS AND MAKE RECOMMENDATIONS ON THOSE THAT ARE TOO RESTRICTIVE;

(8) IDENTIFY QUALIFIED SMALL BUSINESSES AVAILABLE TO BID ON PREVIOUSLY RESTRICTIVE ITEMS, AND;

(9) ASSIST POTENTIAL BIDDERS ON TECHNICAL PROBLEMS DEALING WITH SPECIFIC PROCUREMENTS AND GOVERNMENTAL PROCUREMENT IN GENERAL.

SENATOR, WE WOULD LIKE TO INVITE YOUR ATTENTION TO THE CHART TITLED "SBA-OCALC COST AVOIDANCE" (ATTACHMENT "A") AND USE IT TO EMPHASIZE THE SAVINGS REALIZED BY THE OKLAHOMA CITY AIR LOGISTICS CENTER DUE TO ACTIONS INITIATED BY SBA AND FINALIZED BY THE SOURCE DEVELOPMENT DIVISION OF THE DIRECTORATE OF THE COMPETITION ADVOCATE.

SAVINGS DIRECTLY ATTRIBUTED TO THE ACTIONS OF THE SBA BD/PCR TEAM AT TINKER AFB HAS GROWN FROM AN ANNUAL $1.6 MILLION IN FY '80 TO $4.6 MILLION IN FY '81, $7 MILLION IN FY '82, $18.9 MILLION IN FY '83, $39.6 MILLION IN FY '84 AND $47.7 MILLION IN FY '85.

SAVINGS GENERATED AS A RESULT OF SBA BREAKOUT ACTIONS AT ALL AIR FORCE LOGISTIC CENTERS TOTALED $83.6 MILLION IN FY '84 AND $115.6 MILLION IN FY '85. THE TOTAL SAVINGS GENERATED BY SBA'S BREAKOUT EFFORTS AT ALL DOD PROCUREMENT CENTERS WAS $151.8 MILLION IN FY '84 AND $147.8 MILLION IN FY '85.

ALTHOUGH THESE SAVINGS ARE DIRECTLY ATTRIBUTABLE TO SBA'S B/PCR'S EFFORTS, WE ARE ACUTELY AWARE OF THE NEED THAT OUR BREAKOUT PCRS COOPERATE FULLY WITH THE COMPETITION ADVOCATES AT THEIR ASSIGNED LOCATIONS TO HELP ENSURE FULL AND OPEN COMPETITION. WHILE THEIR OBJECTIVES ARE SIMILAR, THEIR RESPECTIVE REPORTING RELATIONSHIPS ENHANCE THE EFFECTIVENESS OF THEIR JOINT MISSION. THE COMPETITION ADVOCATE REPRESENTS THE PROCURING ACTIVITY AND REPORTS TO THE ACTIVITY COMMANDER. THE BREAKOUT PCR IS AN INDEPENDENT PRESENCE REPORTING DIRECTLY TO SBA. THE BPCR IS FURTHER DIFFERENTIATED FROM THE COMPETITION ADVOCATE BY MANDATORY ENGINEERING CREDENTIALS AND THE AUTHORITY TO APPEAL UNFAVORABLE BREAKOUT DECISIONS TO A HIGHER LEVEL. IN EFFECT, AND IN FACT, WE ARE NOT ADVERSARIES BUT ALLIES.

SMALL BUSINESS SET ASIDE PROGRAM

MR. CHAIRMAN, THE SECOND VERY VITAL AREA I WISH TO DISCUSS WITH THE SUBCOMMITTEE TODAY IS THE "SMALL BUSINESS SET ASIDE" PROGRAM AS MONITORED BY SBA. OUR COUNTRY HAS EXPERIENCED A REMARKABLE INCREASE IN FEDERAL PROCUREMENT OVER THE PAST FIVE YEARS AND IT IS FAIR TO ASSUME THAT THE MAJOR PORTION OF THE INCREASE HAS BEEN IN MAJOR WEAPONS SYSTEMS AND END ITEM PURCHASES. THIS BY ITS VERY NATURE IS THE DOMAIN OF OTHER THAN SMALL BUSINESS BECAUSE OF SIZE AND COMPLEXITY. HOWEVER, TO THE CREDIT AND TENACITY OF OUR SMALL BUSINESS COMMUNITY THEY HAVE RETAINED AN APPROXIMATE AVERAGE OF 20% OF THE TOTAL GROSS FEDERAL PROCUREMENT. THIS, IN MY OPINION, IS DUE TO THE UNFLINCHING ADVOCACY OF THE SMALL BUSINESS SET ASIDE CRITERIA AS STATED IN THE FEDERAL ACQUISITION REGULATIONS (FAR) AND ENFORCED BY APPROXIMATELY 50 SBA PCRS WHO ARE STATIONED THROUGHOUT THE UNITED STATES AT VARIOUS FEDERAL PROCURING INSTALLATIONS.

CLOSER TO HOME, DURING FY '85, IN REGION VI, FIVE (5) TRADITIONAL PCR'S REVIEWED PROCUREMENT ACTIONS AT 40 INSTALLATIONS, TOTALING $10,298,027,000. OF THIS AMOUNT, $1,390,211,000 IN CONTRACTS WERE SET ASIDE FOR SMALL BUSINESS

AS A RESULT OF DIRECT ACTION BY THE PCR, OR BECAUSE OF HIS/HER PRESENCE AND SUBSEQUENT AUTHORITY TO CHALLENGE LOCAL ENGINEERING AND PROCUREMENT DECISIONS REGARDING SOLICITATION METHODS.

THIS ABILITY TO CHALLENGE THE MANAGEMENT OF THE BUYING INSTALLATION AND DEMAND SMALL BUSINESS SET ASIDE IS UNIQUE TO THE PCR AND SETS HIM/HER APART FROM THE SMALL AND DISADVANTAGED BUSINESS UTILIZATION SPECIALIST WHO ONLY HAS THE ABILITY TO RECOMMEND SOLICITATION METHODS AND MUST ABIDE BY LOCAL MANAGEMENT DECISIONS.

MEETING WITH TOP DOD INSTALLATION OFFICIALS ON A REGULAR BASIS ALLOWS THE PCR THE OPPORTUNITY TO DEVELOP A MORE RECEPTIVE ATMOSPHERE WITHIN DOD FOR SMALL BUSINESS. THIS, IN TURN, OPENS MANY DOORS FOR THE MORE THAN 700 SMALL FIRMS SEEKING COUNSELING AND ASSISTANCE EACH YEAR THROUGHOUT REGION VI.

A PERCENTAGE INCREASE FOR SET ASIDES IN FY '86 IS ANTICIPATED DUE TO THE POSSIBILITY OF POTENTIAL REDUCTION IN END ITEM PROCUREMENT OF MAJOR WEAPONS SYSTEMS. THIS GENERALLY LEADS TO INCREASED OPPORTUNITIES FOR SMALL BUSINESS PARTICIPATION IN SPARE PARTS PURCHASING IF THE SET ASIDE REGULATION IS ADHERED TO BY THE PROCURING ACTIVITIES.

MR. CHAIRMAN, THE THIRD AND LAST AREA I WISH TO DISCUSS TODAY IS THE REVITALIZATION OF THE SBA SUBCONTRACTING PROGRAM.

REVITALIZATION OF THE SUBCONTRACTING PROGRAM

IN MID FY '85, SBA ESTABLISHED A NEW BROADER-BASED SUBCONTRACTING ASSISTANCE PROGRAM. WE CALL IT OUR REVITALIZED SUBCONTRACTING PROGRAM. OUR FORMER SUBCONTRACTING SPECIALISTS BECAME IDENTIFIED AS COMMERCIAL MARKET REPRESENTATIVES (CMRS) WITH THEIR MAIN THRUST OF EXPERTISE TO BE UTILIZED AS PROGRAM AND RESOURCE MANAGERS WORKING IN CLOSE UNISON WITH OUR NATION'S LARGE PRIME CONTRACTORS.

THERE ARE TWO MAJOR THRUSTS TO THE "REVITALIZATION" OF THE SUBCONTRACTING PROGRAM. ONE, OF REACHING OUT TO MORE PRIME CONTRACTORS TO REVIEW THEIR SUBCONTRACTING PROGRAMS, AS WELL AS INDIVIDUAL PLANS, WHILE AT THE SAME TIME RECOGNIZING THE PRIME CONTRACTORS WHO ARE MAKING OUTSTANDING ACHIEVEMENTS. THE OTHER THRUST IS IN THE AREA OF MARKETING SMALL BUSINESSES TO PRIME CONTRACTORS. THIS IS A NEW AREA THAT ALLOWS CMRS TO BE A MORE VISIBLE ADVOCATE FOR SMALL AND SMALL DISADVANTAGED BUSINESSES, AND, IN TURN PROVIDED GREATER PROCUREMENT OPPORTUNITIES FOR THEM.

THE MAJORITY OF THE CMRS TIME AND EFFORT WILL BE SPENT WITH THOSE PRIME CONTRACTORS HAVING THE MAXIMUM SUBCONTRACTING OPPORTUNITIES FOR SMALL AND SMALL DISADVANTAGED BUSINESSES. IT IS THROUGH THESE LIAISON EFFORTS THAT SBA IS OPENING GREATER DOORS OF PROCUREMENT OPPORTUNITY FOR OUR NATION'S SMALL AND SMALL DISADVANTAGED BUSINESSES.

REGION VI HAS AN IMPLEMENTATION PLAN TO INCLUDE NEW PORTFOLIO FIRMS. THIS INCLUDES REVIEWING THE CONTRACTING AND SUBCONTRACTING POTENTIAL OF ALL KNOWN FEDERAL LARGE BUSINESS PRIME CONTRACTORS. AS A RESULT OF THIS NEW EMPHASIS WE NOW PROJECT A TOTAL OF 118 PORTFOLIO COMPANIES FOR THE THREE CMRS BY THE END OF FY '86. THIS IS AN INCREASE FROM 53 IN FY '85. FOR YOUR INFORMATION, MR. CHAIRMAN, THE STATE OF OKLAHOMA HAD 5 PRIME CONTRACTORS IN THEIR PORTFOLIO IN FY '85 AND IT IS PROJECTED TO DOUBLE TO A TOTAL OF 10 LARGE PRIMES IN FY '86.

AWARD DATA

IN FY '85 THE SUBCONTRACTING SURVEILLANCE PROGRAM, STAFFED BY TWO COMMERCIAL MARKET REPRESENTATIVES, REVIEWED $4.5 BILLION IN REGION VI SUBCONTRACT AWARDS FROM PRIME CONTRACTORS WITH 35.4% ($1.59 BILLION) AWARDED TO SMALL BUSINESSES AND 2.3% ($101.5

MILLION) AWARDED TO SMALL DISADVANTAGED BUSINESSES. THIS COMPARES FAVORABLY TO FY '84 WHEN WE HAD THREE SPECIALISTS REVIEW $4.1 BILLION TOTAL SUBCONTRACT AWARDS WITH 33.6% ($1.37 BILLION) AWARDED TO SMALL BUSINESSES AND 2.2% ($93.2 MILLION) AWARDED TO SMALL DISADVANTAGED BUSINESSES. (ATTACHMENT "C")

FY '86 (1ST QUARTER) REVEALS TOTAL AWARDS OF $1.3 BILLION WITH 42.9% ($569 MILLION) TO SMALL BUSINESS AND 2.0% ($26 MILLION) TO SMALL DISADVANTAGED BUSINESSES. WE ARE PRESENTLY STAFFED WITH TWO CMRS AND A TRAINEE THAT IS IN AN ACCELERATED TRAINING PROGRAM AND WHO SHOULD BE ABLE TO CARRY A FULL WORKLOAD BEFORE THE END OF FY '86. THEREFORE, PROJECTIONS FOR FY '86 INDICATE SUBCONTRACTING SURVEILLANCE OF 118 LARGE PRIME CONTRACTOR PURCHASING SHOULD INCREASE TO $5.3 BILLION WITH AWARDS TO SMALL BUSINESSES ESTIMATED TO EXCEED 37.2% ($1.97 BILLION) AND SMALL DISADVANTAGED OF 2.5% ($132.6 MILLION). THE TOTAL NATIONAL PROJECTED SUBCONTRACTING AWARDS FOR FY '86 IS $67.6 BILLION, OF WHICH $25.1 BILLION IS PROJECTED TO BE AWARDED TO SMALL BUSINESS, REPRESENTING 37.1% OF THE SUBCONTRACTING PROCUREMENT DOLLARS.

PORTFOLIO INCREASE

DURING FY '84 WITH THREE CMRS, REGION VI HAD 62 LARGE BUSINESS PRIME CONTRACTORS IN OUR PORTFOLIO. WE ARE NOW PROJECTING 118 PRIME CONTRACTORS BY THE END OF FY '86 WITH THREE CMRS, WHICH IS A 44% INCREASE FROM FY '84. (ATTACHMENT "D")

PROCUREMENT AUTOMATED SOURCE SYSTEM (PASS)

PLANS HAVE BEEN DEVELOPED AND APPROVED, SUBJECT TO SUFFICIENT FUNDING, TO EXPAND THE PROCUREMENT AUTOMATED SOURCE SYSTEM (PASS) INTO THE MAJOR CENTRALIZED BIDDERS LIST FOR THE FEDERAL GOVERNMENT AND ITS PRIME CONTRACTORS. UNDER THIS PLAN, THE DATA BASE WOULD INCLUDE NOT ONLY DATA ON SMALL FIRMS BUT ALSO ON LARGE BUSINESSES AND NON PROFIT ORGANIZATIONS.

ADDITIONAL DATA WILL ALSO BE COLLECTED. SIC CODES, DUNN'S NUMBER, PRODUCT/SERVICE AND COMMODITY CODES, TYPE OF BUSINESS AND QUALITY ASSURANCE INFORMATION WILL BE ADDED TO EACH RECORD ON THE FILE.

THE PLANS ALSO CALL FOR MAINTAINING THE GSA DEBARRED LIST ON THE SYSTEM. UNDER THIS CONCEPT, GSA WOULD UPDATE DEBARRED STATUS FOR ANY FIRM ON THE SYSTEM BY DIRECT ONLINE UPDATE CAPABILITY. THE DEBARRED STATUS OF ANY FIRM WOULD BE ACCESSIBLE TO PROCUREMENT OFFICES BY A SIMPLE INQUIRY OF THE SYSTEM.

THE MAJOR BENEFITS TO BE DERIVED FROM THIS PROJECT ARE ECONOMY AND EFFICIENCY. CURRENTLY, MOST AGENCIES MAINTAIN THEIR OWN BIDDERS LIST. EACH SMALL BUSINESS MUST PROVIDE INFORMATION ON THEMSELVES (USUALLY BY SUBMITTING A SF 129, "APPLICATION FOR BIDDERS LIST"), TO EACH PROCUREMENT OFFICE WITH WHICH THEY CHOOSE TO DEAL. THE EXPANDED PASS CONCEPT WOULD HAVE BUSINESSES REGISTER ONLY ONCE. PROCURING OFFICERS WOULD THEN ACCESS PASS FOR SOURCES WHICH COULD MEET THEIR NEEDS.

THEREFORE REDUNDANT COLLECTION AND MAINTENANCE OF SOURCE LIST INFORMATION BY MULTIPLE AGENCIES WOULD BE MINIMIZED. FURTHERMORE, PAPERWORK ON THE PART OF SMALL BUSINESSES WOULD BE GREATLY REDUCED. ADDITIONAL BENEFITS ACCRUE SINCE THE PASS DATA-BASE IS UPDATED ANNUALLY, THUS ENSURING TIMELY INFORMATION.

It is estimated that this program can save the government well in excess of $11 million through fiscal year 1990.

Implementation is planned in several phases. Four agencies will become exclusive users of the system in FY '36 with others being phased in over the next several years. The four agencies are:

1. Environmental Protection Agency.
2. Department of Commerce (Washington office only).
3. Selective Service Administration.
4. Federal Home Loan Bank Board.

INTRODUCTORY/REFERRAL SERVICE

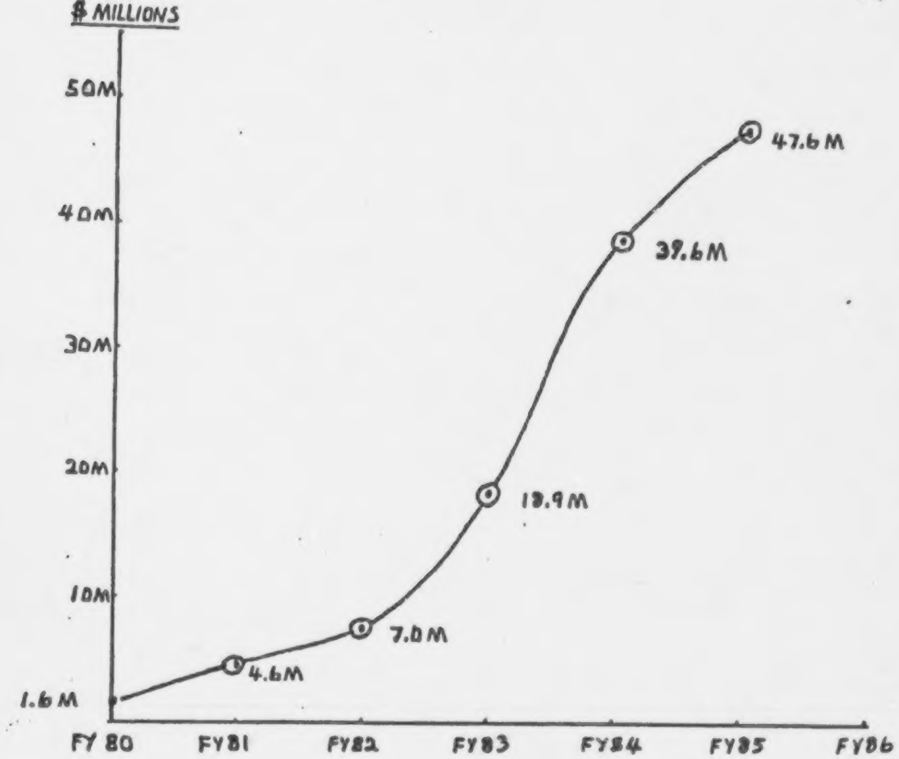
We believe we have turned the corner with this program and have prepared two charts "Region VI subcontracting award data" (Attachment "E") and "Oklahoma subcontracting award data" (Attachment "F") to demonstrate the growth of the program during 1985. The growth was dynamic, but more important to the small business community is the fact that small business "Gained" a measurable percentage of the total gross. Subcontracting, under the new commercial market representative approach is producing results for small business!

MR. CHAIRMAN, I HAVE ATTEMPTED TO GIVE YOU A BRIEF OVERVIEW OF WHAT WE, IN THE SMALL BUSINESS ADMINISTRATION, FEEL TO BE A VERY IMPORTANT PROGRAM FOR SMALL BUSINESS.

I WOULD LIKE TO NOW TURN YOUR ATTENTION TO MR. FRANK MILLER, OUR BREAKOUT PROCUREMENT CENTER REPRESENTATIVE, AND THE CHARTS THAT HE HAS BROUGHT WITH HIM TODAY. MR. MILLER IS GOING TO SHARE WITH YOU HOW, THROUGH THE EFFORTS OF THE SMALL BUSINESS OFFICE AT TINKER AFB, SAVINGS ARE BEING DERIVED FOR THE TAXPAYER AS WELL AS MILITARY SPENDING, WHILE AT THE SAME TIME PROVIDING A QUALITY PRODUCT.

U.S. SMALL BUSINESS ADMINISTRATION
OKLAHOMA CITY AIR LOGISTICS CENTER
BC (SBA)
TINKER AIR FORCE BASE, OK 73145

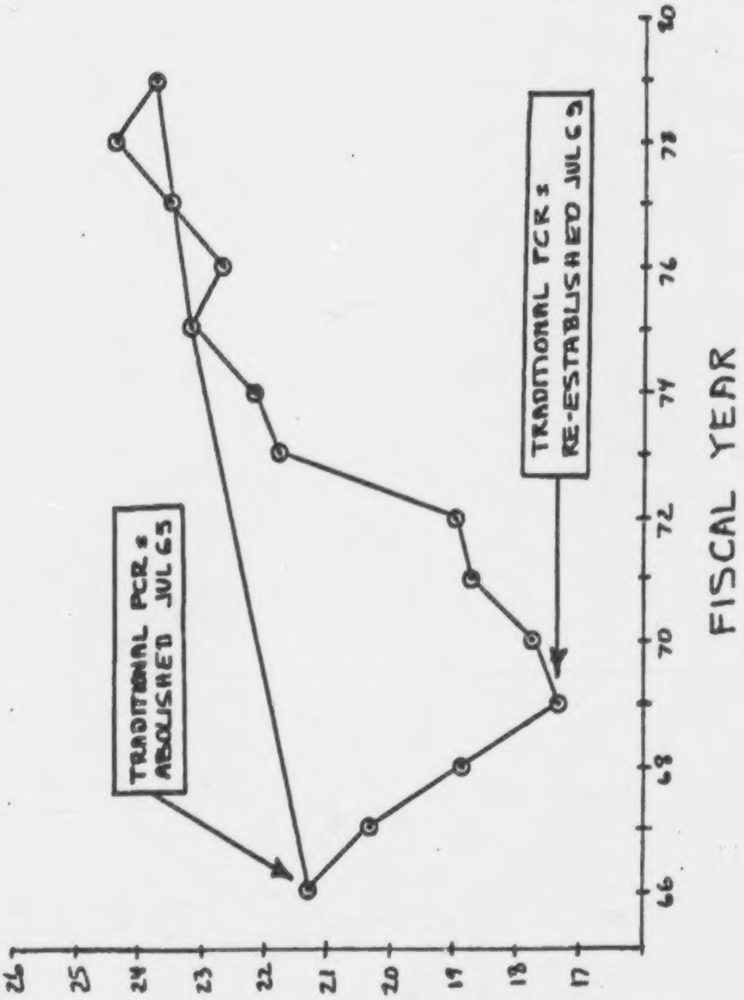
Attachment
"A"



DOD COST AVOIDANCE
DUE TO
SBA ACTIONS
AT
OCALC

Attachment "B"

Percent of Federal Procurement $ to Small Business



Attachment "C"

REGION VI - SUBCONTRACT AWARDS DATA

FY 84				FY 85			
TOTAL	$	4,061,838,000		TOTAL	$	4,506,491,000	
SB	$	1,365,671,000	33.6%	SB	$	1,549,481,000	35.4%
LB	$	2,696,167,000	66.4%	LB	$	2,912,010,000	64.4%
SDB	$	93,272,006	2.2%	SDB	$	101,545,000	2.3%

FY 84 (5 OKLAHOMA PRIMES)				FY 85 (5 OKLAHOMA PRIMES)			
TOTAL	$	129,477,000		TOTAL	$	276,223,000	
SB	$	69,029,000	53.3%	SB	$	137,828,000	49.9%
SDB	$	5,315,000	4.1%	SDB	$	16,005,000	5.8%

FY 86 (1st QUARTER)				FY 86 (PROJECTED)			
TOTAL	$	1,326,100,000		TOTAL	$	5,304,400,000	
SB	$	568,726,000	42.9%	SB	$	1,973,237,000	37.2%
LB	$	757,374,000	57.1%	LB	$	3,331,163,000	62.8%
SDB	$	26,056,000	2.0%	SDB	$	132,610,000	2.5%

FY 86 (1st QTR - 10 OKLAHOMA PRIMES)				FY 86 (PROJECTED - 10 OKLAHOMA PRIMES)			
TOTAL	$	63,906,000		TOTAL	$	281,186,000	
SB	$	32,586,000	51%	SB	$	143,404,860	51%
SDB	$	2,839,000	4.4%	SDB	$	13,496,928	4.8%

Attachment
"D"

COMMERCIAL MARKET REPRESENTATIVES PERFORMANCE

	FY 84 (3-CMR'S)	FY 85 (3-CMR'S)	FY 86 (5 MONTHS) (3-CMR's)	FY 86 (PROJECTED) (3-CMR's)
SUBCONTRACTING PROGRAM REVIEWS	78	53	39	118
SUBCONTRACTING CONTRACT PLAN REVIEWS	981	944	618	1400

SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESS INTRODUCTORY/REFERRAL SERVICE

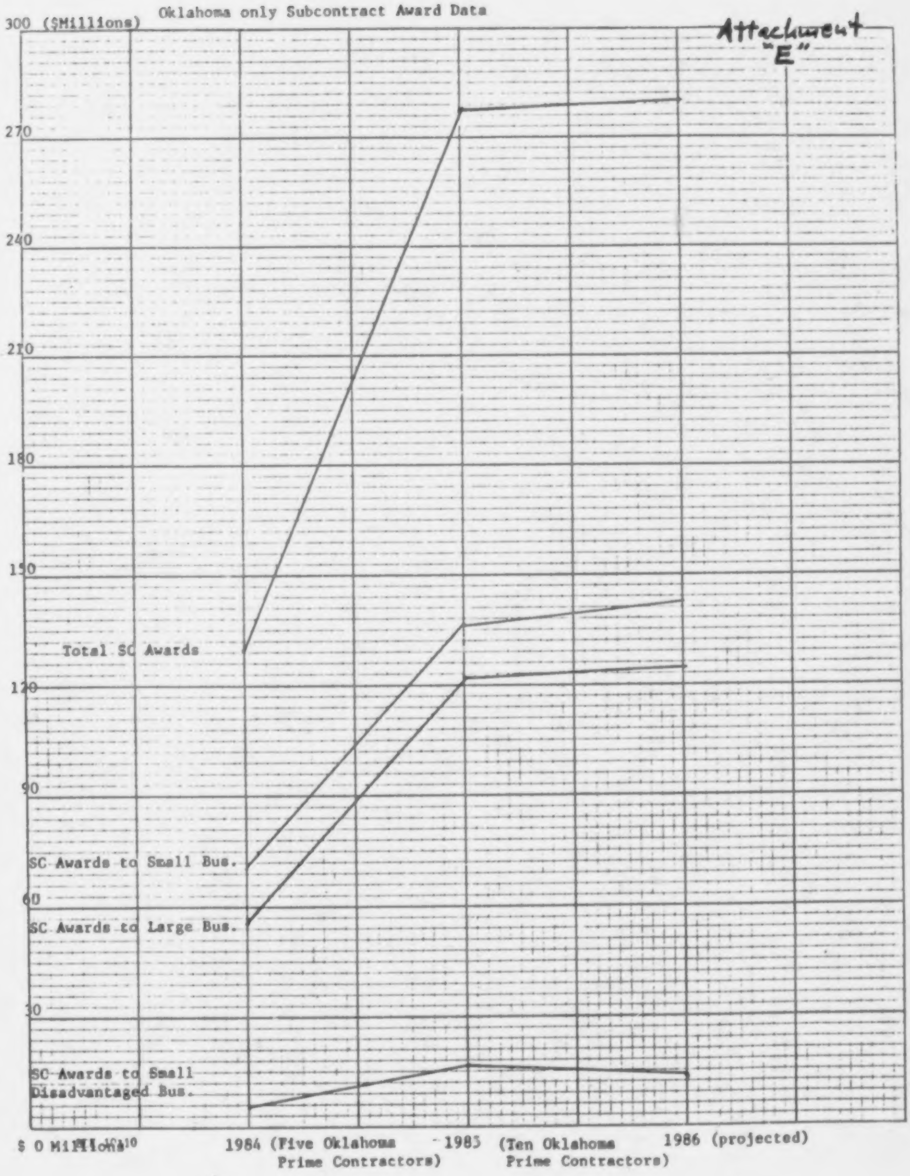
	FY 86
SMALL BUSINESS SURVEYED	126
SMALL BUSINESS RESPONDING WITH PROCHURES	57
TOTAL NUMBER OF BROCHURES REFERRED TO PRIME'S	821

PORTFOLIO - LARGE BUSINESS PRIME CONTRACTORS

FY 84 - 62 (3 SPECIALIST)
FY 85 - 47 (LOST 1 OF 3 SPECIALIST, RETIRED 1/85)
FY 86 (PROJECTED) 118 (3-CMR's)

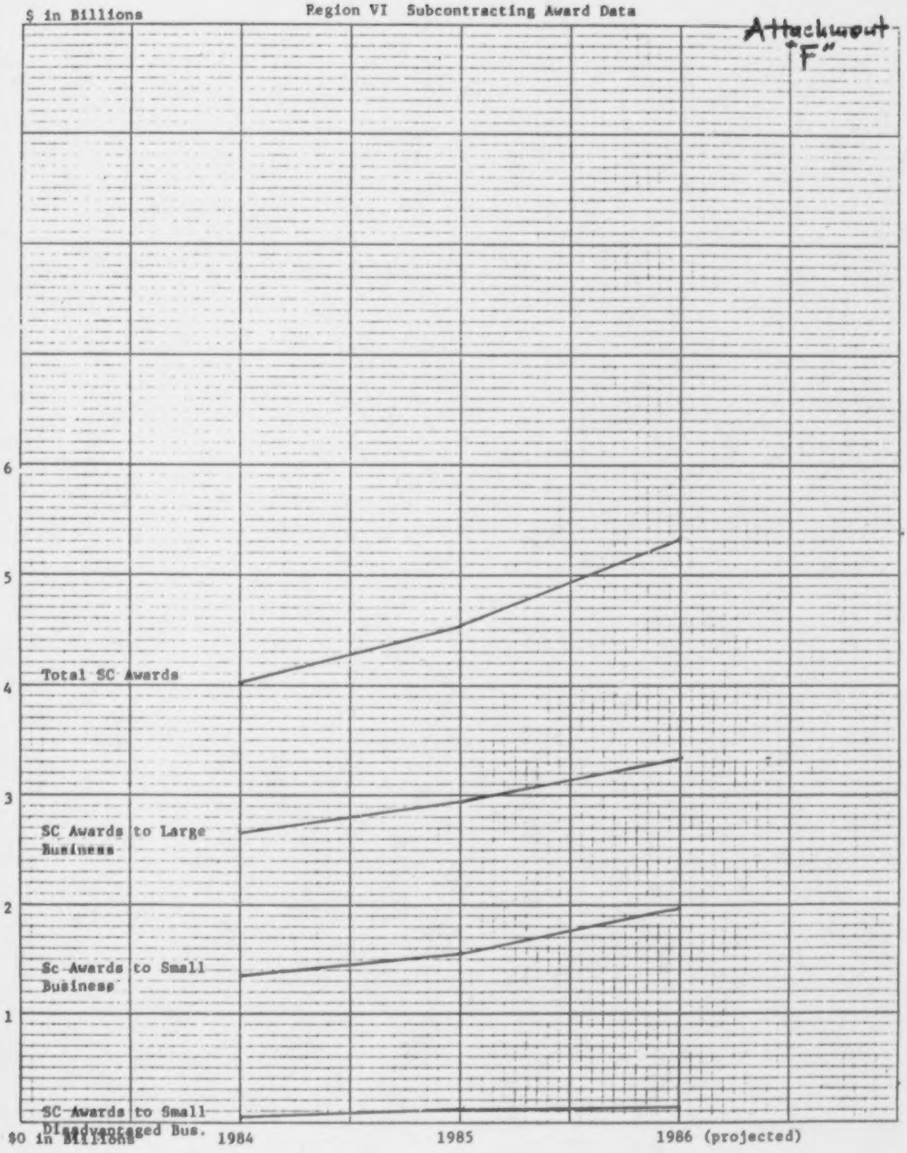
Oklahoma only Subcontract Award Data

Attachment "E"



Region VI Subcontracting Award Data

Attachment "F"



SMALL BUSINESS ADMINISTRATION

PCR RESPONSIBILITIES

- REVIEW PURCHASE REQUESTS OVER $10,000 FOR SET ASIDE POTENTIAL.
- ENGINEERING EVALUATION OF DATA PACKAGES FOR COMPETITIVE PROCUREMENTS, RESTRICTIVE SPECIFICATIONS, DRAWINGS, ETC.
- SBA APPEALS TO CONTRACTING OFFICIALS.
- REVIEW TINKER OPERATING INSTRUCTIONS.
- COUNSELING SMALL AND LARGE BUSINESS MEN.
- MEDIATOR FOR SMALL BUSINESS.
- PROVIDE SMALL BUSINESS SOURCES.
- JOINT SBA - SADBUS REVIEW OF POTENTIAL 8(A) REQUIREMENTS.
- REVIEW AND EVALUATE PRIME CONTRACTOR SUBCONTRACTING PLANS (PL 95-507).
- PNAPPL PROJECT - JOINT SBA/OC-ALC PROGRAM TO INCREASE COMPETITION.

Senator Nickles. Let me ask General Smith a couple of questions. I'll ask several of our panel a few quick questions.

When we had hearings a year or so ago, it was in some of the same problems that we found with some of the small parts and some of the outrage I think that was going across the country because of some of the examples that we could find were some very high prices. That's one example. Looks like that thing was being overpriced by several hundred percent, and people are outraged when they see their money being wasted.

Procurement—there's a lot of Tinker procurement, a lot of procurement throughout the Logistics Center. I think you mentioned $13.2 billion altogether; for parts, $8 billion.

Has the Air Force, especially, had good progress or has substantial progress been made to eliminate some of these horror stories?

General Smith. Sir, you know, I would like to say that there's probably none. But we buy in AFLC somewhere in the neighborhood of 85,000 to 100,000 different parts each year. If you were $99^{44}/_{100}$-percent accurate, Ivory soap perfect, you would still have maybe 500 potential problems. We do work very hard. Every part we buy on a sole source basis, not competitive—every part we buy on a sole source basis at a level where we do not get audited cost data, we have a group, again out of John Schultz' office here at Tinker, that looks at the part, and with the knowledge of how you make those kinds of parts, they take a look at that part. If the price is unreasonable based on that judgment then we try to find another way to buy it.

I think we have virtually eliminated—I sure don't like to be in the paper, sir.

Senator Nickles. Well, we haven't heard you in the paper as much, maybe, the last 6 months or so as we did a couple of years ago, so maybe that means some improvements.

Now, Congress passed a couple of laws that I was involved with, the Small Business Committee was involved with, the Armed Services Committee and Authorization Committee were involved with, that directed several things. One was greater competition, less sole source of contracting.

What's been the result of that legislation? Has it worked?

General Smith. We have implemented the legislation, sir. Most of the initiatives we had underway we had as a result of a study we did in late 1983 and there were 178 recommendations, and I would not dare try to brief all of them this morning. But we implemented all of those. The law, particularly the Competition in Contracting Act, very largely tracked down that 178 recommendations, so we had about a 6-month jump on the implementation.

We have implemented—there are parts, of course, of the Competition in Contracting Act that I would like to see proceduraly changed, and we've made that recommendation or those recommendations, but by and large the act is a very good act and we can not only live with it, it gives us some flexibility in the competition arena that allows us to compete some things that our folks would have been reluctant to do so otherwise.

Senator Nickles. Mr. Schultz and Mr. Barghols, or anybody, I was looking at the competition history for the Oklahoma City Air Logistics Center, and this goes off total contracts. It shows total contracts of $2.7 billion in 1983, $3.1 billion in 1984, and $3.4 billion in 1985. It shows the amount of competitive contracts have increased from $452 million, $462 million, almost doubling to $964 million. So percentagewise, it went from 15 percent to 29 percent.

So now—or last year, 29 percent of the total contracts that were let out of Tinker were for competitive bids.

General SMITH. That's 29 percent of the dollars, sir.

Senator NICKLES. Of the dollars.

General SMITH. Of the dollars.

Senator NICKLES. Thank you for the correction.

Will this percentage continue to increase?

General SMITH. Yes, sir, I believe it will. You know, as I noted, we broke out to first time competition a little over 14,000 parts last year. Some of those are still in the procurement process and will be competitive. This year we have the same kind of roll going.

We as a command averaged about 25 percent for 10 years of our dollars spent competitively. Last year that went to 33.7, wasn't it, John?

Mr. SCHULTZ. Yes, sir.

General SMITH. That's 33.7 percent. We had set ourselves a goal of 31 percent, and it went to 33.7. In fact, I had come in for the fiscal year 1986 goal at 33 percent and then I beat it and, of course, they didn't give me that. They gave me a 34 percent goal, which I don't mind. I think we'll match that.

The key thing to me is that is a macro measure. We intend to compete 100 percent of the things that it's smart to compete.

We also do not intend to compete the things it's not smart to compete on.

Senator NICKLES. Let me follow up on that because, see, as a business person I can understand some reason for sole source buying in some areas; but when I first looked at this a couple of years ago, and I said, wait a minute, you only have competitive bids on 15 percent of the dollar volume coming out of Tinker, I thought, that's part of the problem. And I think that's what we spent the better part of our hearing on a couple of years ago. Why don't we have a greater percentage of the contracts coming out being competitively bid?

Again, coming from a manufacturing background, maybe an Oklahoma bias, I think that we can do things cheaper and better and faster in Oklahoma than they can in Ohio and Pennsylvania and New York.

And so I want to see more competitive bids, particularly from the Southwest, because again I think you can get more bang for the manufacturing dollar here.

In looking back 2 years ago, it's only 15 percent; now we see it 29 percent. I think that did show some progress could and should be made, and I'm glad to see it there. I will compliment you on your statement, that 100 percent of anything that should have competitive bids should have competitive bids, and let's do that. And I think if that's the case with the work that's being done, that that percentage will continue to increase, hopefully substantially above 29 or 33 or 34 percent.

General SMITH. It's very difficult for us to determine what that percentage will be. As I say, we make that decision on a part-by-part basis. John Schultz and his folks do. They look at the data, they look at the use of the part. They say, is the data complete enough to manufacture it? They look at the capability to manufacture it. Obviously, if it takes $10 million to set up the equipment to manufacture a part and I'm only going to buy $500,000 worth, we can't compete that. Economically we can't compete it. There is also proprietary data. Some contractors believe very strongly, and I must endorse them, that those are their family jewels, and there's nothing we can do about that.

Senator NICKLES. Proprietary data for, say, engine parts—does that have a date or a termination? Does that expire at the conclusion of 10 years, 12 years?

General SMITH. Under our new acquisition policy, yes, sir. We try to put a 7-year provision or a 5-year provision on the contract, 7 years or less if we can. Now, I might add, there are some contractors that believe that is so much in their family jewels, they will not even negotiate on that and then we make waivers. We do that very selectively and in fact my boss has to approve any waiver in this command. But that's in the future. But I have bought weapons systems in the past where there is proprietary data. John Schultz and the folks here challenge proprietary data every time it is the impediment to competition. Now, we don't challenge every proprietary data stamp because there might be other reasons you cannot compete, but every time it is the impediment. Commandwide we run 20 percent of the time, the prime contractor comes back and says, use the data.

Senator NICKLES. A couple of items you mentioned, and maybe I'll pull this for Mr. Schultz or whoever, maybe Dave Barghols. The firms, I guess, have an ambition to be a qualified bidder. How many of those do we have in our State? I wrote down the term, 7,000. Were there 7,000 applications?

General SMITH. Yes, sir. That was commandwide.

Senator NICKLES. Commandwide?

General SMITH. Commandwide. I would have to go back and pull the data to find out how many were in Oklahoma.

Senator NICKLES. Well, 7,000 commandwide. How long does it take for that to be approved?

General SMITH. I'll let John Schultz handle that because he processes those papers and worries that problem. When he finishes, I'll tell you it's probably too long, sir.

Senator NICKLES. I was going to tell you that before he started.

Mr. SCHULTZ. That's not an easy question Senator, because, you know—qualifying to do what?

One of the biggest problems with Oklahoma firms is they're not familiar with how the Government has to do business. For instance, we require a quality control program that must be in place before we can give anyone a contract. Too many Oklahoma firms are not set up under a quality program that's recognized by DOD. So in that sense, they're not qualified. But most of our source development comes from people who are currently in the aerospace business, currently making aerospace parts, and it does not take long to get them qualified at all.

In the last 2 years we've been contacted by over 2,000 contractors throughout the United States, and I would say probably about 40 in Oklahoma, and we do a pretty good business with those 40, at least $100,000 or more a year. I think altogether our top 20 got about $31 million, and quite a few of those are source development.

But qualification requirements have to begin at the grassroots. You know, there are a lot of laws telling us how we will do business, how we will solicit, make awards, and the contractor has to be qualified under those laws, too. So qualification is a very broad area.

Senator NICKLES. Mr. Schultz, are the laws too cumbersome? I've heard—and we will probably hear some other people later, certainly when we have the procurement conference at the Marriott on April 3—but do the statutes need to be changed? Has Congress put too many hurdles in the procurement process? That's the kind of question I was asking about legislation that we passed. I know the intention was good, and I want to find out if we are helping the problem or are we helping create a bigger problem?

General SMITH. If I may suggest, sir, we'll let Dave Barghols answer this because he deals probably with the frustration more directly than I do, or John.

Senator NICKLES. Dave.

Mr. BARGHOLS. Sir, I'm not sure I should tell a lawmaker that there's too many laws, but I'm going to. There's 4,000 laws that affect the procurement process. Not every one of these laws affects every solicitation. Not every one of those laws affects every bidder. But enough of them do that any small businessman gets frustrated, intimidated, to find what in fact turns out to be a mystical process. I can't say that there's too many laws because each of those laws has a different reason for coming into effect. But too many of those laws conflict with themselves at this point. It is time to reduce some of the laws; it is time to simplify the solicitation document; it is time to simplify the contracting process. But we can't simplify the process until some of these laws and layers of laws are eliminated from the process, or at least redirected to an appropriate threshold level of the contract.

There are too many laws that affect a $17,000 contract that serve no practical purpose in implementation, but that's 1½ pages of language that any small businessman has to wade through or else bid at risk.

General SMITH. If I could build just a little bit on what Dave said, sir, we have tried to simplify that process for the small businessman. Every time we deal with a new contractor, he has to give us a number of representations and certifications that say, I complied with the affirmative action plan; I buy ball bearings totally from the authorized ball bearing plant, and down a number of other requirements. In fact, we used to have to do that on every contract and we said, we're not going to do that anymore because that made contracts very thick, made a lot of signatures, made a lot of checks in there that if you left one out, then you were nonresponsive.

So we used—we tried to go to all of our contractors that deal in this area and get an annual representation and certification. And they say for every contract I bid to you, Tinker Air Force Base, these are accurate and complete.

Unfortunately, the doggone thing is 25 pages long of representations and certifications. And it's very—it would stagger me as a small businessman.

Senator NICKLES. Let me tell you, General, again that I have a small business background. At one time we looked at Government contracts. I subscribed to Commerce Business Daily News and I had written off to one—this looks like something that we might be able to manufacture in Ponca City, OK. I had requested bid solicitation, and I would receive a stack of papers about yea thick, and would have to dig through those papers. Ultimately, all I was really interested in was a more accurate description of the part to find out whether or not this was something we could make or not make, but yet still had to dig through all the nonsense, and then usually when we'd get it, it would say refer to drawing such-and-such, and so then you'd have to go back and try to get the drawing. It was a very frustrating experience for this person. I would certainly, in my business background, qualify as a small businessperson; we had a firm of about 100 employees, and we were looking into this field and we got frustrated and decided to do something else.

But I want to make that easier, and I want it to be easier for firms to be able to bid. If either Department of Defense or the Small Business Administration or a combination of the two can help us in the Small Business Committee of the Senate, of which I'm chairman of the Government Procurement Committee—Senator Boren is also a member of that committee; the chairman, Senator Weicker and others—I'm confident that if you could help us streamline and eliminate a lot of the nonsense to where we could send out solicitation bids very thin, very simple, for items—maybe we do it on a dollar amount, maybe we'd do it on waiving a bunch of provisions for smaller awards or something—I don't know. But we would be happy to pursue that to try and make it easier for more people to get into the process.

General SMITH. Yes, sir.

Senator NICKLES. And if those occurrences grow, then maybe they could handle a little bit more of the headache and paperwork. I've got a feeling that the Boeings and McDonnell-Douglases can handle this a little easier, and we'll have an individual from Rockwell testify. If I remember, they were telling me of the amount of paperwork that they had to send to Washington, DC, when they were bidding on one of the major airplanes. Maybe you can tell me how much it was, but to bid on—I don't remember if it was on the B-1 or what—they had to charter an airplane to send all the paperwork up. Was that correct?

General SMITH. I would believe the story if it were told to me, yes, sir.

Senator NICKLES. I thought maybe you had received the airplane.

General SMITH. No, sir. But as you know, we have small purchase thresholds where we try to simplify. The unfortunate thing in the small purchase arena, is that we find that under $25,000 we kick in at different thresholds different laws and requirements that make a simplified small purchase not simplified at all. By the time you go across the $10,000 threshold synopsis, Walsh-Healy Act; Davis-Bacon Act; and affirmative action plan are in effect. I don't know. The professionals could give me others, but every time a buyer goes down a contract checklist then they have these different things. Each one of those results in some type of contract provision. Each one of those results in some type of a "rep-cert" representation-certification. Now, I would never presume to tell you that the employment of the handicapped, which is a clause at $2,500, was nonsense, because the Congress passed it, sir. I just comply.

But I would like to see us, at a minimum, raise all of those to $25,000. Let me operate under $25,000; 75 percent of my contracts are under $25,000. That accounts for a whopping 1.4 percent of my dollars, and I would like to at least be simplified in that arena, if nothing else. And that is an arena, by the way, sir, that small business plays very heavily in. For example, I would propose that we synopsize above $25,000 instead of $10,000, and automatically set aside for small business anything below $25,000, as long as I can find small business firms to do it.

Senator NICKLES. I notice that in your statement—and I will repeat what you just said—that 74 percent of your contracts are under $25,000, but on the dollar volume, it's only 1.4 percent of the contract volume.

General SMITH. Yes, sir.

Senator NICKLES. So you have an enormous number of contracts on those small contracts, and I would guess that the procurement officials and so on spend a great—particularly with all the attention that's been focused on this type of a problem—you spend a great deal of time on percentagewise of your contracting dollar, a very small amount. But you're spending a great deal of your time to make sure that this type of thing doesn't happen.

General SMITH. Yes, sir. If I could just maybe quantify that. Three years ago it took me about 40 days to process a contract under $25,000. Now, that seems like a long time, but that's——

Senator NICKLES. How many days?

General SMITH. Forty.

Senator NICKLES. Forty days?

General SMITH. Forty calendar days. It's now taking me about 91.

Senator NICKLES. It takes 91 days to process a contract for less than $25,000?

General SMITH. Average, yes, sir. And one of our goals is to get that down. But I need to simplify that process.

If you take a flow chart of what it takes to issue a contract under $25,000—and one of my logistics centers built me one; it's five pages long—I'm going to try to simplify that process, but most of it is triggered by something in regulation that I fear running up against. But I'm going to go through it and see if I can X out every block I possibly can.

Senator NICKLES. I noticed some of these thresholds, as you mentioned—Davis-Bacon, Service Contract Act, Walsh-Healy, and others—$2,000, $2,500, $10,000, I think your suggestion of saying we ought to make some exemptions for the smaller amounts so that we could eliminate a lot of those steps you have to go through is one that merits some support.

General SMITH. Yes, sir; I would appreciate it.

Senator NICKLES. I need to move this hearing along because we have some other outstanding witnesses that I also want to hear.

One followup question, Mr. Quigley. You mentioned that there are 118 subcontracting firms in 5 States, is that——

Mr. QUIGLEY. Sir, there are over 450 firms who are eligible to fall under our subcontracting review program because they have one or more contracts in excess of $1 million.

We have the capability at this point in time to review on an annual basis once during a year 118 of those firms.

Senator NICKLES. Would your review help them get some additional contracts?

Mr. QUIGLEY. We believe it is helping, sir, and they have told us that it is.

Senator NICKLES. There's a proposal kicked around to merge SBA—actually, to eliminate SBA and move it into the Commerce Department. Do you think that would be a wise move on the part of Congress?

You don't have to answer that. You can answer it if you want.

Mr. QUIGLEY. No, sir. I have no answer for it, sir.

Senator NICKLES. To our panel, I want to thank all of you, and for those of you that will be participating in our procurement conference on April 3, I thank you, as well. I think that will be very interesting. Again, for those in the audience so you'll have a better perspective, we've outlined a little bit about the size of what we have available and what's being bid and what's not being bid, the conference that we'll be having on April 3 will be how to bid and how to overcome some of these hurdles and obstacles that we're now faced with, and hopefully it will be of help.

To our panelists, thank you very much.

Our next panel we have are individuals with businesses in Oklahoma, if they would please come up.

We have Danny Odom, who is president of Aero Components in Oklahoma City; Ladd Adams, who is president of Entek from Norman; Ms. Peggy Shreve, president of Frontier Engineering in Stillwater; and Mr. Don Mertz, president of Mertz, Inc., in Ponca City.

Mr. Adams, do you want to be first?

STATEMENT OF LADD M. ADAMS, PRESIDENT, ENTEK CORP., NORMAN, OK

Mr. ADAMS. All right. My name is Ladd Adams, president of Entek Corp., Norman, OK. I'm also a former president of the Central Oklahoma Chapter of the National Tooling & Machining Association.

I first testified before the Committee on Small Business on January 17, 1984. During that testimony, I expressed our frustrations and difficulties in trying to become a vendor to Tinker Air Force Base. Now, some 2 years later, I can report some progress, but many of the same frustrations and difficulties still exist.

Shortly after the hearing 2 years ago, we decided to no longer pursue Tinker work. However, we still had enough interest to attend a conference on reverse engineering, or "CORE" as it is called, We felt that this might be an approach for Entek to obtain work from Tinker. We were excited about the CORE concept because we have done similar work for our commercial customers.

The reverse engineering program, as we understand it, requires the successful bidder to take actual parts which are sole sourced, make the drawings and specifications from those samples, and submit first article samples which are made from those drawings. Finally, upon approval of the drawings, specifications, and samples, the successful bidder will be allowed to complete the required production quantities specified in the contract.

The CORE program has much merit and is a serious attempt to open the procurement process to more vendors. However, we came to the conclusion that CORE was not for us. There are great risks for small companies such as Entek.

Our difficulty with CORE is the great risk a successful low bidder is subjected to because there is insufficient information available to make an intelligent bid. You must bid with no knowledge of materials used, heat treatment, plating specifications, or special processes required. Samples for testing are provided only after the contract is awarded to the low bidder. This is certainly not a program for the unsophisticated vendor.

It seems to us that this program would be more successful if Tinker would either do the testing or contract independent laboratories to test CORE parts for material content, and then provide that information in the original solicitation. I sincerely believe that more small businesses would participate if they did not have to bid on a complete design, specify, and build package with the pertinent information available to them only after they have been selected as the low bidder.

I might add that during this past 2 years, Entek has been adding to its quality assurance program, commitment and equipment approaching a $100,000 investment. This has been done not only for our commercial customers, but also in anticipation of work for the Government. We have been as serious as we know how in getting ready for Government work.

During this time, we have been able to do work for two prime contractors. Although it has been a learning experience dealing with all of the paper required, it has been far easier and more profitable than dealing directly with the Government. Perhaps some day we can learn the ropes.

It would be unfair for me to just tell of our frustrations and not tell about the people, without whom we would have just thrown up our hands and quit. Frank Miller of the small business office at Tinker has gone beyond the duties of his office to help us and to keep our interest. Frank has shown us how to get the information we need and how to begin selecting parts that are restricted to qualified bidders. This is a long-term project and we have just made the first steps.

Tinker's Pineapple shows part numbers, quantities with prices, last vendors, restriction codes, and anticipated usage. From this list, we have selected approximately 75 parts as possibilities for Entek to manufacture.

First, we have to search the Pineapple for "C" or critical codes, then look for the names and relative values of those items which are of interest. After selecting potential parts, we then order the drawings from Wright-Patterson Air Force Base. Wright-Patterson will search their files to see if they have the drawings, and then write and give us the prices. Upon receiving the prices, we will send an order with the correct amount, and hopefully receive the prints a few weeks later. If the drawings are of parts within our capabilities, we will make three samples of each part at our expense, and submit them for testing. If the samples are approved, we will be added to the list of qualified bidders, and then be solicited on future buys.

Entek has just completed the selection process and has submitted a list of potential drawings to Wright-Patterson. If they have the drawings, we will proceed to the next step; however, we still feel that we are 1 to 2 years away from anything significant.

It is our intent to continue in our pursuit of this work to the extent that it does not interfere with our ongoing business. However, there is a limit to our resources and patience. If the people with whom we have had contact at Tinker had not been so helpful, we would have given up long ago.

As a member of the local chapter of the NTMA, I have heard similar concerns from fellow members. For those shops such as ours, with limited experience in dealing with the Government, it is an intimidating process. Perhaps the cost/benefit ratio is so high, it leaves the small manufacturer out of the picture.

I believe that there is a sincere effort being done to open Tinker business to the competitive process. Certainly, we need to keep more of this business in Oklahoma and encourage new business. It will not happen overnight, and it certainly will not happen without diligent effort from all involved.

[The prepared statement of Mr. Adams follows:]

STATEMENT

OF

LADD M. ADAMS, PRESIDENT, ENTEK CORPORATION
3106 BROCE DRIVE, NORMAN, OKLAHOMA 73072

BEFORE

SUBCOMMITTEE ON GOVERNMENT PROCUREMENT
COMMITTEE ON SMALL BUSINESS
UNITED STATES SENATE

TINKER AIR FORCE BASE
OKLAHOMA CITY, OKLAHOMA

MARCH 22, 1986

My name is Ladd M. Adams, President of Entek Corporation, Norman, Oklahoma. I am also a former President of the Central Oklahoma Chapter of the National Tooling and Machining Association.

I first testified before the Committee on Small Business on January 17, 1984. During that testimony I expressed our frustrations and difficulties in trying to become a vendor to Tinker AFB. Now, some two years later, I can report some progress, but many of the same frustrations and difficulties still exist.

Shortly after the Hearing two years ago, we decided to no longer pursue Tinker work. However, we still had enough interest to attend a conference on "Reverse Engineering" or "CORE" as it called. It was thought that this may be an approach for Entek to obtain work from Tinker. We were excited about the "CORE" concept, because we have done similar work for our commercial customers.

The reverse engineering program, as we understand it, requires the successful bidder to take actual parts which are sole-sourced, make the drawings and specifications from those samples, submit first article samples which are made from those drawings. Finally upon approval of drawings, specifications, and samples, the successful bidder will be allowed to complete the required production quantities specified in the contract.

The "CORE" program has much merit and is a serious attempt to open the procurement process to more vendors. However, we came to the conclusion that "CORE" was not for us. There are great risks for small companies such as Entek.

Our difficulty with "CORE" is the great risk a successful low bidder is subjected to because there is insufficient information available to make an intelligent bid. You must bid with no knowlege of materials used, heat treatment, plating specifications, or special processes required. Samples for testing are provided only after the contract is awarded to the low bidder. This is certainly not a program for the unsophisticated vendor.

It seems to us that this program would be more successful, if Tinker would either do the testing or contract independent laboratories to test "CORE" parts for material content, and then provide that information in the original solicitation. I sincerely believe that more small businesses would participate if they did not have to bid on a complete design, specify, and build package with the pertinant information available to them only after they have been selected as the low bidder.

I might add that during this past two years, Entek has been adding to its quality assurance program, commitment and equipment approaching a $100,000.00 investment. This has been done not only for our commercial customers, but also in anticipation of work for the government. We have been as serious as we know how in "getting ready for government work".

During this time, we have been able to do work for two prime contractors. Although it has been a learning experience dealing with all of the paper required, it has been far easier and more profitable than dealing directly with the government. Perhaps someday we can learn the ropes.

It would be unfair for me to just tell of our frustrations and not tell about people, without whom we would have just thrown up our hands and quit. Frank Miller of the Small Business Office at Tinker has gone beyond the duties of his office to help us and to keep our interest. Frank has shown us how to get the information we need and how to begin selecting parts that are restricted to qualified bidders. This is a long term project and we have just made the first steps.

Tinker's "Pineapple" shows part numbers, quantities with prices, last vendors, restriction codes, and anticipated usage. From this list, we have selected approximately 75 parts as possibilities for Entek to manufacture.

First, we have to search the "Pineapple" for "C" or critical codes, then look for the names and relative values of those items which are of interest. After selecting potential parts, we then order the drawings from Wright-Patterson AFB. Wright-Patterson will search their files to see if they have the drawings, and then write us to give the prices. Upon receiving the prices, we will send an order with the correct amount, and hopefully receive the prints a few weeks later. If the drawings are of parts within our capabilities, we will make three samples of each part at our expense, and submit them for testing. If the samples are approved, we will be added to the list of qualified bidders, and then be solicited on future buys.

Entek has just completed the selection process and have submitted a list of potential drawings to Wright-Patterson. If they have the drawings, we will proceed to the next step. However, we still feel that we are one to two years away from anything significant.

It is our intent to continue in our pursuit of this work to the extent that it does not interfere with our on-going business. However, there is a limit to our resources and patience. If the people with whom we have had contact at Tinker had not been so helpful, we would have given up long ago.

As a member of the local chapter of the NTMA, I have heard similar concerns from fellow members. For those shops such as ours, with limited experience in dealing with the government, it is an intimidating process. Perhaps the cost/benefit ratio is so high, it leaves the small manufacturer out of the picture.

I believe there is sincere effort being done to open Tinker AFB business to the competitive process. Certainly we need to keep more of this business in Oklahoma and encourage new business. It will not happen overnight, and it certainly will not happen without diligent effort from all involved.

Senator NICKLES. Mr. Adams, thank you very much for your statement. I'll come back to you after I go through the panel.

Next we have Ms. Peggy Shreve, president of Frontier Engineering from Stillwater.

STATEMENT OF PEGGY J. SHREVE, PRESIDENT, FRONTIER ENGINEERING, INC., STILLWATER, OK, ACCOMPANIED BY ED SHREVE, ENGINEERING TECHNICAL DIRECTOR; AND RICK COPE, ENGINEER

Ms. SHREVE. Thank you. First of all, I'd like to say we appreciate the opportunity for Frontier Engineering to testify today. I have with me my husband, who is also my engineering technical director, and Rick Cope, who is one of our engineers, and he has been assigned to business development at Tinker Air Force Base.

Senator NICKLES. Could you pull the microphone a little closer, please?

Ms. SHREVE. Sure.

Senator NICKLES. Can everyone hear in the back? I'm getting some signals I can't hear, so please try to speak loud if you can for the microphone.

Ms. SHREVE. Just a little history about Frontier Engineering. We started full-time operations in September 1981. At that time we had about—we had 4 full-time employees, and at the present time we have approximately 160 employees. And I think our original sales in 1981 were approximately $30,000. At the present time we ended our fiscal year 1985 with sales of $5 million. And we are a small business 8(a) certified company. Our primary business areas are computer and software engineering, engineering services, design and manufacture of electronic instrumentation, maintenance and refurbishment of radar and telemetry systems.

And at this time I would like for Ed to take the mike and explain some of the ongoing contracts that we do have with various Government agencies, along with some of the technical things that we do.

[The prepared statement of Ms. Shreve follows:]

Frontier
Engineering,
Inc.

STATEMENT

of

Peggy J. Shreve, President

Frontier Engineering, Inc.
Stillwater, Oklahoma

BEFORE

Subcommittee on Government Procurement
Committee on Small Business
UNITED STATES SENATE

Tinker Air Force Base

Oklahoma City, Oklahoma

March 22, 1982

I am Peggy Shreve, President of Frontier Engineering, Inc. of Stillwater, Oklahoma. FEI is a small, high-tech business that provides products and services to government and industry. We are 8(a) certified by the Small Business Administration. Today I am accompanied by Rick Cope of our Electronic Systems Division. Mr. Cope is our engineer that is assigned to business development at Tinker Air Force Base.

FEI assumed full time operations in September 1981. Since that time we have grown to 160 employees, and annual sales of over $5M.

FEI's growth has principally been through contracts with government agencies on the West Coast, East Coast, and in Texas. Our success in obtaining business with governmental agencies in Oklahoma has primarily been with the FAA in Oklahoma City. We presently provide design engineering services to the FAA (APM-150) on a three year, CPFF task order, 8(a) contract. It is my opinion that the FAA has been and will continue to be supportive of both small business and 8(a) set asides.

Other governmental agencies in Oklahoma where we have spent considerable marketing efforts include Tinker AFB, Department of Energy (Tulsa), and the Corps of Engineers (Tulsa). By far the majority of our marketing efforts have been at TAFB. TAFB marketing efforts have been through competitive bidding, self-marketing, and attempts to have unrestricted procurements, for which we are qualified, made small business or 8(a) set asides. We are beginning to have some success at TAFB in the first two of these efforts, but very limited success in the third area.

My statement today concentrates on our efforts to obtain business at TAFB. Because of our proximity to TAFB, and the large number of business opportunities in our area of expertise there, I have devoted extensive time and resources in efforts to obtain business at TAFB. This statement describes our efforts, our successes, viewpoints on areas where both small business and TAFB could improve, and some suggestions as to how improvements could be accomplished.

FEI has attended numerous government sponsored conferences and seminars designed to assist small business. In Oklahoma, examples include the Annual Oscar Rose Small Business Fair, which we attended each year from 1981 to 1984, the recent conferences on Reverse Engineering held in January of 1985 and 1986, and the seminar on Government Contracting sponsored semi-annually by the TAFB Small Business Utilization Office. Outside of Oklahoma FEI has attended conferences in Dallas on Government High Technology, in Florida on Space Commercialization Opportunities, in Huntsville, Alabama on Small Business Opportunities and in Washington D.C., an SBA sponsored 8(a) Business Trade Fair.

Of all seminars and conferences attended, FEI attributes only one successful governmental business contact in its five years of participation. The 8(a) Trade Fair in Washington D.C. during October 1985 provided a contact with the SADBU Officer at Norton Air Force Base Ballistic Missile Office, San Bernadino, California that ultimately resulted in two 8(a) contracting opportunities. One, valued at $5.0 million for 5 years involves software and computer engineering services, and the other, a one year $.5M contract, involves software analysis.

Attendance at the TAFB SBU Government Contracting Seminar has provided valuable information. However, the program is directed at new or young businesses seeking to get a start at marketing Uncle Sam. Additionally, most programs seem aimed at directing commodity suppliers or non-professional service organizations to the proper procurement activity. Very little emphasis is placed on high-tech engineering activity.

Another program which FEI has attempted to become involved in includes the CORE (Contract Out Reverse Engineering) Program at TAFB. The Reverse Engineering Program, initiated January 1985, in an effort to stimulate competition and capitalize on cost savings, has produced no noticable results relative to our business.

Two CORE conferences have been hosted in the Oklahoma City area and approximately 120 items were presented for consideration. (Only a few of these items were electrical or electronic in nature.)

Our observation of the CORE program status is:

1. Although it has been expressed that a large number (thousands) of potential items are available for reverse engineering, relatively few have been offered. Questions to CORE Program Administrators have resulted in the answer that staffing was inadequate to process a sufficient volume of packages.

2. Requests for approximately 10 reverse engineering packages have been submitted with no response. This indicates an apparent problem with package generation or request distribution.

3. Time required to generate a package seems inordinate relative to the nature. If, in fact, the program centers on insufficient or proprietary data, the package preparation should be less difficult than for standard procurements.

Our minimal success at Tinker, in my opinion, can be attributed to several factors:

1. FEI's lack of familiarity with the technical programs and Program Managers at TAFB.

2. The fact that the TAFB Small Business utilization office is not fully aware of our capabilities.

3. The fact that the TAFB technical personnel are not aware of our capabilities.

4. The fact that TAFB seems to prefer that "high-tech" procurements be unrestricted. This, in my opinion, is the major impedement to our success.

5. The fact that the Small Business Administration Procurement Center Representative (PCR) office resident at TAFB has not been effective in identifying procurements that could be set aside for small business, and in not aggressively ensuring that the appropriate procurements are set aside for small business.

I will address the last factor first. In four years, we have had one inquiry from the SBA PCR at TAFB concerning our capability to perform a certain type of service. As a result of this call, a capabilities presentation was given to the appropriate technical group at TAFB after determining the requirement was of the exact type of work done for other governmental agencies. At the presentation, the TAFB engineer prefaced the meeting by stating the procurement was to be unrestricted regardless of our capabilities.

It is our understanding that if the PCR can identify a sufficient number of qualified small businesses that will bid a procurement, a set aside can be made.

We realize it is counter productive to alienate technical personnel, and the corresponding reluctance by the PCR to be overly aggressive in decreeing set asides. The point is that given the large number of TAFB procurements, one opportunity in four years seems like a small number. FEI suggests that the mission, responsibility, and authority of the SBA PCR office be examined, and necessary changes implemented to increase the number of small business set aside opportunities.

The first four factors listed above appear to be related in that they all imply a lack of understanding on the parts of the TAFB technical personnel and Small Business Utilization Office of the capabilities of Oklahoma based small high-tech business. The first factor implies that small businesses, FEI anyway, have not been made aware, or become aware, of the various technical programs at TAFB.

Some suggetions for improvements in these areas are:

1. The TAFB Small Business Utilization Office could provide areas at the Base where Small Businesses could exhibit products and promotional material that could be viewed by TAFB technical personnel. This might help TAFB engineers become more aware of the capabilities of local small business.

2. The TAFB Small Business Utilization Office could arrange briefings to technical personnel by small businesses in order to convince the technical personnel that their requirements could be satisfied by small businesses.

3. TAFB Small Business Utilization Office could designate staff members to visit small businesses to determine their capabilities. The SBA district office in Oklahoma City has been very supportive of attempts by Oklahoma based small and 8(a) businesses to obtain contracts at TAFB. For example, an SBA district office person arranged for, and accompanied a TAFB SBA PCR and Small Business Utilization Officer on a site visit to our plant in Stillwater. It was shortly after this visit that we obtained our Tinker 8(a) contract.

4. TAFB Small Business Office and the SBA PCR could aggressively begin small business and 8(a) set asides of high-tech services, software, and hardware procurements.

5. Determining small business set aside status of packages is a very difficult process, particularly when high technology is a factor. Within even our own business experience, it is difficult for one person to determine the ability to do certain projects based on a complete review of the specification. We feel that the small business contracting program could be enhanced by allowing small business an opportunity to review, in detail, packages which are being considered and express interest in those prior to an announcement. This could be accomplished without hindering competitive procurements if all small businesses were given an equal opportunity to review and comment.

   Our experience indicates that many TAFB procurements that "hit the street" contain very limited specifications so that bidding by anyone other than a large company with all necessary data is difficult.

Advances have apparently been made in the willingness of the TAFB Small Business Utilization Office to work closely with small high-tech business. Additionally, this office has been frank concerning the opportunity for high-tech business at Tinker. Our major interest is relative to high-tech electrical and electronic oriented services, hardware and software work. The Small business office has indicated a lack of opportunity in these areas at TAFB. The nature of procurements at this facility has been cited as the primary impedement to high-tech services. However, many large high-tech companies, e.g. TRW, have small organizations presently providing high-tech work at TAFB. It is possible that because of the large number and diversity of programs at TAFB, even the Small Business Office is not aware of all high-tech activities there.

The number of high-tech service oriented competitive contracts which originate from TAFB is apparently very low, leaving little chance for small business participation. Many large companies (e.g. Boeing) have task order contracts at TAFB which are a result of sole source procurements.

In summary, FEI has been much more successful in obtaining government business outside of Oklahoma. We feel that the FAA and SBA in Oklahoma City have been very supportive of small business and 8(a) set asides. Although we have had minimal success at Tinker, we feel we are making headway through self-marketing and competitive bidding on procurements identified in the Commerce Business Daily.

For example, in January, 1984, we were awarded a competitive contract (F34601-84-C-0841) for $18,600 to manufacture temperature controllers for F-111 aircraft. In August, 1985, we were awarded an 8(a) contract (F34601-85-C-0079) for $92,384 to manufacture electric brake assemblies. In December, 1985, we were awarded a competitive contract (F34601-86-M-1035) for $24,041 to manufacture inductors. We are presently in a competition at TAFB for a contract to manufacture battery packs. Although some business is usually better than none, compared to our success at other government agencies, our return on marketing investment at TAFB is extremely low.

A current 8(a) procurement being processed by the TAFB Small Business Utilization Office for FEI to provide design services to the A-7 office indicates that our self-marketing efforts are beginning to bear fruit. FEI became aware of this requirement through self-marketing at the Program Manager level. This type of approach appears necessary in communication of requirements versus FEI capabilities at TAFB.

The two major areas FEI feels that need improvement and would greatly increase small and 8(a) business opportunities at TAFB are:

1. Improve communications between small businesses, TAFB Small Business Utilization personnel, and TAFB technical personnel. I feel TAFB personnel would be pleasantly surprised at the capabilities and competitive pricing of Oklahoma based "high-tech" companies.

2. TAFB Small Business Utilization Office and SBA PCR Office become more supportive of small business and 8(a) set asides for high-tech procurements. This is especially important because major primes want to keep high-tech work in-house and are reluctant to subcontract high-tech work to small or 8(a) businesses.

On a related matter, it has come to my attention that OMB is proposing new procurement policies that would effectively reduce small business set asides by an estimated 50%. These policies were described in an article in the Wall Street Journal on March 4, 1986 (page 56). The gist of the new policies is that if a single large company indicated it wanted to bid on a procurement that was being considered for a set aside, then under the proposed policies, the contracting officer would be unwilling to certify that small businesses would provide the lowest reasonable cost, which would be required for a set aside. In essence, the proposed new policies would give large businesses the power to veto small business set asides. In my opinion, this would severely impede the growth of small businesses that contract with the Federal Government.

Senator NICKLES. OK, Ed.

Mr. SHREVE. Thank you, Senator.

Senator NICKLES. If you'll pull that microphone closer. There's lots of people still telling me they can't hear, so you really need to get right up into them.

Mr. SHREVE. All right. I'd like to begin with talking a little bit about Frontier Engineering, what type of company we are, because that is critical in our estimation of our ability, or lack of ability, with Tinker Air Force Base in particular.

One of our major customers is the U.S. Navy Fleet Analysis Center in Corona, CA. That was a small business set-aside. We competed for this contract 4 or 5 years ago when we first started business. We've gotten follow-on business continually from that contract. The significant thing about that contract is that it helps Oklahoma's economy, it helps Frontier Engineering, but it also employs a lot of people—a lot of people in California and southern California.

I'd like to point out, it was through the efforts of the Small Business—SBA PCR at Regional Contracting Center in Long Beach and the Small Business Utilization Officer at Long Beach in convincing the Navy's technical people to go along with a small business set-aside. Quite frankly, if they had not taken that initiative, the chances of us having won that competition against larger business would have been greatly diminished. And that's a point I likely will come back to.

Another major contract, a customer of ours, is U.S. Air Force School of Aerospace Medicine at Brooks Air Force Base, San Antonio. We're developing a computer network to use in their nuclear medicine and clinical sciences division—again, that's in Texas, not in Oklahoma. So we've got an office in Texas which helps the San Antonio economy. A third customer is the Naval Surface Weapons Center in Dahlgren, VA, where we're developing hardware, specific custom hardware and software used in the AEGIS Software Simulation Center, the AEGIS being a major Navy combat system.

Another major customer is the National Security Agency, Fort Meade, MD.

A real success story, I think, for Frontier here in Oklahoma has been our relationship with the FAA here in Oklahoma City. One of their technical codes at FAA had a requirement, and it was looking for a high tech engineering firm to be able, under a task order type of contract, to perform analysis and design engineering of changes and modification kits for FAA instrumentation on an ongoing basis on a variety of equipment. Small business specialists at FAA recommended to this technical person to look at Frontier Engineering. These people visited our facility many times. We gave presentations at FAA. As a result of that, we were awarded a 3-year 8(a) CPFF task order contract. It's very significant. Again, a critical thing is that somebody convinced the technical people, here's a small business that can do the job.

Another very significant success story started in October 1985. The SBA office here in Oklahoma City convinced us to attend an 8(a) trade fair in Washington. At that trade fair, the Small Business Utilization Officer from Ballistic Missile Office at Norton Air Force Base, San Bernardino visited our booth we had at the trade fair. We discussed computer networks and software. He said, "Well, I have two procurements coming up at Norton. One is for a 5-year contract to install a computer network there at their ballistic missile office; also, we're putting a new microprocessor on one of the Minuteman programs, and can you develop that kind of software?"

We said yes, so he said, "I'm going to arrange a meeting between you and the technical people at BMO." So we traveled to San Bernardino and gave our presentations. We were very well received by the technical people. As a result, two 8(a) procurements are being processed which will be over $5 million for a 5-year period, great for our southern California office. So we have had very significant success stories.

I guess our one major frustration has been at Tinker Air Force Base, and I attribute it to one thing. The type of work that we do is fairly sophisticated hardware and software engineering work. My first point I have here is we've had approximately $12 million in sales. Of that sales, $135,000 has been at Tinker Air Force Base, $92,000 of that under the 8(a) program, and the rest from bidding on manufacturing of electronic instrumentation under unrestricted procurements. This has caused us to fall back as business people, and say, "is there business for us at Tinker Air Force Base?" Maybe we're in the wrong business for Tinker. You know, square peg in the round hole.

Well, we've concluded that there is high-technology business at Tinker Air Force Base for a lot of reasons. Here are two proposals that we submitted to Tinker Air Force Base to develop software for computer systems. As is the case with nearly all procurements coming out of Tinker Air Force Base that have technological challenges, they are unrestricted, never set aside, they're unrestricted so the big guys can go after them, which makes it tough for us to compete. And the primary reason it's tough for us to compete is in a DOD solicitation if you look at section M, which is the evaluation criteria, quite often an unrestricted procurement lists the things that are rated and scored very highly, is corporate experience. How many years of experience have you had? How many years have you been doing that? If you see that on an unrestricted procurement, as a small business, you might as well save your proposal budget and look for another procurement to bid on. That has probably been our major impediment at Tinker Air Force Base at contract engineering, is convincing the technical people and small business utilization officer and the SBA PCR people that to take some of these high-technology jobs, and set them aside for small business. I think that has been our major impediment at Tinker.

We—as a result of the fact that we know the work is here, we have developed a corporate strategy. We also know the work is here because we've had engineers from prime contractors come apply for jobs with Frontier Engineering. I ask them, what do you do? They say, we design interfaces between radar and computer. How many people in your group? Three or four. I say, hey, we build these for NSA, that's the type of work we do; three or four people. Gosh, you know, that's what a small business can accommodate with no problem. So we know the work is here, the high-technology engineering services, hardware/software work is here.

There are many reasons that these aren't being set aside for small or 8(a) businesses, and we address that in our written statement.

I'd like to quickly summarize our strategy, our strategy now at Tinker Air Force Base, because we're convinced the work's here; by golly, we're going to stay here and hang one. One is self-marketing at the technical level. We're convinced that nobody markets for you but yourself. For example, we recently had an experience where we were introduced to a technical program manager, in particularly an A-7 Program Office here at Tinker Air Force Base. We went to him and arranged a presentation to the guy, told him in particular what we do for the FAA.

He said, I have a very similar requirement, but I have a task order contract with a major prime contractor across the street. I can put that on that task work contract which is fairly easy. From what I understand, this contract was sole source-awarded to a major firm here at Tinker Air Force Base; in fact, the biggest prime here.

He says, so why should I go with you guys? What do you cost? We told him. He says, boy, that's about half of what it would cost me if I went with the prime across the street. He says, how does this 8(a) business work? So we tell him. All you do is write up your PR just like you normally do, take it to contracting, designate it as 8(a), specify the company that you want to do the project.

So it's our understanding that is in the works now. So our self-marketing at the technical level, we think, is starting to bear fruit. Our second thrust is we're competing more and more unrestricted on manufacturing competitive bids. As General Smith said, sometimes small businesses view Tinker as a mystery. And we think by working and bidding on these manufacturing jobs, we're going to unravel the mystery.

The third strategy that we have is we're just going to bite the bullet and say, until Tinker begins to put out procurements of the high-technology type of work as small business set-asides, we're going to have to devote more money to our proposal budget because we're going to be competing with the big guys. We've just got to bite the bullet until we can get Tinker's SADBU to set aside high-technology procurements.

We had one call from the SBA PCR office in 4½ years—can you do this work? Yes; we can do that work. He set up a meeting with the technical people. The meeting was—well we were not very well received by the technical people. In fact, he says, regardless of your capabilities, our solicitations are going out for the big guys and if you want to bid on it, fine. So they sent us the RFP. Again, it was heavily evaluated on corporate experience; compared to the big guys, we knew we weren't going to score highly, so we didn't waste our proposal budget on that.

My point is, somebody's got to convince the technical people, hey, there's capable small businesses out there, and I think when that happens our efforts will start to bear fruit, so we're not giving up. We've had limited success here, but we have developed a strategy that apparently is starting to bear fruit here.

Senator NICKLES. Thank you very much.

The next panelist we have is Don Mertz, who is president of Mertz Corp., Ponca City.

STATEMENT OF DON MERTZ, PRESIDENT, MERTZ, INC., PONCA CITY, OK

Mr. MERTZ. Thank you, Don. My name is Don Mertz; I'm the president of Mertz, Inc., in Ponca City, OK. We're a small manufacturer of fabrication and machine equipment.

We made a decision here in August 1982 to solicit Government contracting opportunities. After contacting the Defense Logistics Agency representatives, we were given a preaward survey and completed our quality assurance manual and documentation and received approval to perform Government contracts in December 1982.

We were approved for any requirements which needed Mil Spec 45-208(a) contract approval. We made personal calls on over 50 Government agencies and subcontractors. In addition to phone calls and letters to additional potential contractors, we also mailed Government- and company-required forms to over 200 activities to be placed on our bidders' list.

Mertz, Inc. completed six Government contracts before we decided in January 1984 to discontinue our solicitation for this business. Not only did we lose money on these contracts, but we had also committed the time of two and a half people for over a year in pursuing the Government contracts. There is a local movement being organized in Ponca City to utilize the Volunteers in Action group to assist local small manufacturers in soliciting and contracting for Government business. Perhaps a local volunteer business group can work for the collective benefit of the small manufacturers in our town and perform a function that would not be possible through individual effort. With $184 billion being spent on procurement by the Federal Government in fiscal year 1985, it would appear somehow that Ponca City could have made enough of this business to help our depressed economy and assist smaller businesses.

Thank you.

Senator NICKLES. Mr. Mertz, thank you.

Mr. Adams, I remember a couple of years ago when we were talking about this, and I also remember the National Machine Tool Association that you are representing, as well. Your firm is how big? How many people?

Mr. ADAMS. We're a 20-person firm. We've been in business since 1973 as a corporation. We consider ourselves to be a "high tech business." We have all the latest equipment, all the buzz words that are being used, CAD/CAM zero defects; we conform to the MIL-I-45208A quality standards.

Senator NICKLES. You mentioned that you had decided, I guess, after trying it for a while, that you weren't going to try any Government work, and then you came back under—what, the CORE project?

Mr. ADAMS. Yes. We had attended a conference about a year ago on a program that Mr. Schultz, I believe, has at Tinker, and which was taking those proprietary parts and allowing those parts to be reverse engineered. You give samples of the parts, you make the drawings, do the specifications and then you can—the successful bidder can manufacture those parts for the first buy.

We have done similar work with our commercial customers, and it's been quite successful. We've prided ourselves as being a fairly creative organization and we provide complete design and build services. But our frustration with it has been that many of the parts that are used in aircraft are of exotic materials and exotic processes. You can't tell by looking at the part what it's made of. So there's a great risk for a very small company like ourselves in that respect.

Senator NICKLES. In that type of operation, do you end up purchasing the product? You make drawings off of it? Cut it up so you can get metal samples and section thicknesses, and so on?

Mr. ADAMS. That's only if you've been selected as the low bidder. You bid blind, so to speak; the parts are available to be seen. But the parts are issued only if you've been the successful low bidder. Then you can cut the parts up and have them tested and so forth.

Senator NICKLES. Do you have a couple of these, or some of these parts, that you're bidding on right now?

Mr. ADAMS. No. We have determined not to bid on any of the CORE parts because of that reason.

Senator NICKLES. Mr. Mertz, you have a manufacturing facility, as well. You mentioned that you had six contracts and you mentioned you lost money on all of them, and you decided to do something else. But did you try any of this work where you take the part——

Mr. MERTZ. We haven't tried any airplane parts. We have tape control equipment, CNC and that type of equipment, but we didn't try any airplane parts. Ours was hooks for their Navy aircraft carriers, that type of work, riveter-type work.

Senator NICKLES. So you wrestled with a few of those contracts. Here again Mertz Machine, Inc., is a large company that does business all across the world. Did you find that it was a lot more of a challenge doing work with the Government than, say, it is in the private sector?

Mr. MERTZ. It's much more harder to do work for the Government because of their procurement—their inspections and quality control, and so forth. Yes, it is very hard and tough on us.

Senator NICKLES. Were the quality controls you mentioned—was it a question of them saying you didn't make the quality, or just the fact that you maybe had inspectors coming in?

Mr. MERTZ. We had the inspectors come in and check us, and our pieces and our heat treating, outside work, and it was just tough trying to meet the specs because we didn't have facilities to do everything in-house. So we had to go out and ask for other help. Also, like Mr. Adams mentioned, the specs on the material was hard to identify, and it was exotic materials that were hard to come by, and the quantities that we bought in were extremely high, and we had to choose to get away from that type business because we just—there's no profit and you can't stay in business without a profit.

Senator NICKLES. If you did a little more volume in that, you'd be out of business soon?

Mr. MERTZ. Yes, a lot quicker.

Senator NICKLES. Peggy Shreve, you're one of the real success stories, and I should have introduced you.

Peggy was selected nationwide as small businesswoman of the year—what, in 1984?

Ms. SHREVE. In 1984.

Senator NICKLES. And was congratulated by the President in a White House ceremony, so my compliments to you in what you've done, both of you. I think you've really built up a business. You've mentioned I think that you have several plants or several offices where you end up working close to installations?

Ms. SHREVE. Yes, we do have some that are next door, so to speak, to the facility. As an example, right here in Oklahoma City we have the FAA office that—we call it our FAA office, that is located not too far from the FAA facility. It's where we conduct activity with the customer.

Senator NICKLES. Did you say you have 160 employees today?

Ms. SHREVE. Yes.

Senator NICKLES. Is that nationwide?

Ms. SHREVE. That's nationwide; 80 of those would be located here in Oklahoma in four different areas—two in Oklahoma City, Stillwater plant, of course, and Tulsa.

Senator NICKLES. Stillwater is your main plant?

Ms. SHREVE. Stillwater is the headquarters and the hardware/software facility.

Senator NICKLES. Now, you started this business in 1980 or 1981?

Ms. SHREVE. Full time in 1981.

Senator NICKLES. Full time in 1981. So now your annual sales are over $5 million?

Ms. SHREVE. Yes. We expect to reach $10 million this year, this fiscal year.

Senator NICKLES. So you've been compounding, doubling, and so on. So you have been reaching out. You've had good success, like at Norton Air Force Base and some of the other bases. You mentioned some problems here. But I also heard something that I think I denote is somewhat of a requirement for success in Government procurement—patience and persistence.

Ms. SHREVE. Right, hopefully.

Senator NICKLES. And I think I heard you say that you're going to continue to try to get some of this high-technology business that would be located out at Tinker Air Force Base; is that correct?

Ms. SHREVE. Yes. That's our strategy and we're here for the duration, and we're starting to bear fruits; again, primarily by meeting with the technical people who have the requirements, sell those guys first, and that's what made the FAA happy. We worked with the small business specialists at FAA, convinced the technical people, and it resulted in being really good for us. If we can do that here at Tinker with the support of the small business office and the SBA PCR people to convince the technical people, hey, there are high-technology, small and qualified businesses out there, let's let them bid against small business to small business, and that's where our success will go up here at Tinker.

Senator NICKLES. Well, I commend you for the success that you've had, and I want you to keep your plant in Oklahoma, and I want you to get some more Oklahoma business so it will continue to bear fruit. And so I compliment you; and, Mr. Adams and Mr.

Mertz, I share some of the same frustrations, I guess, that you've been wrestling with.

We do hope to make it easier for firms like yours to get more contracts, and we're going to do everything we can do. That's one of the reasons why we're having this hearing today. That's another reason why we're going to have this hearing on more or less the "how to's." I think, Mr. Adams, you've shown some success and you've made some inroads. I hope that you will be successful in getting some contracts that will be profitable; and the same thing to you, Mr. Mertz.

I hope that the net result may be out of this other hearing. Not all Government procurement is Department of Defense. As Ms. Shreve just mentioned, the FAA—and we'll have a representative from the FAA speak in just a moment—has some other opportunities, and with the amount of procurement the Federal Government does, there's some opportunities out there for us. Maybe we have to jump through more hurdles than what you'd have to do with one-page purchase orders that you'd get in the private sector vis-a-vis, the very thick solicitation requests that you get from the Federal Government. But we want to simplify it as much as we can, but we still want you to be successful in getting some of those contracts.

To our panelists, we thank you very much.

Our next panelists we have are Phil Fitzgerald, who is president of Fitzgerald Associates from Oklahoma City; Mr. Jim Carter, who is president of Carter Chevrolet in Okarche; Mr. Lafair Hebert, president of A-Bear Janitorial Service in Oklahoma City.

I don't care who is first. Anybody ready to go? Mr. Fitzgerald, you want to take off?

STATEMENT OF PHILLIP D. FITZGERALD, PRESIDENT, FITZGERALD ASSOCIATES, OKLAHOMA CITY, OK

Mr. **Fitzgerald.** Senator, I'm Phil Fitzgerald, representing Fitzgerald Associates Architects and Interior Consultants with offices in Ponca City and Oklahoma City.

Our firm is an architectural firm, employing from five to seven architects and employees. Our projects vary from small professional medical and financial buildings to public works, public schools work with Oklahoma State University and other independent school districts. We have done municipal work around northern Oklahoma, and most notably, a few bowling centers around the United States for the Brunswick Corp.

I am currently licensed and practice architecture in six States. I have provided architectural services for approximately 23 bowling centers around the country, and we consider ourselves experts in the design of bowling and recreation centers.

Several years ago, after reading an advertisement for professional services in the Commerce Business Daily, our firm submitted a proposal to provide architectural services for a new bowling center at Vance Air Force Base in Enid, OK. I recall the selection criteria was experience, ability to produce the project by a certain date, and proximity to the base to inspect the work being built. I prepared the Standard Forms 254 and 255 and hand delivered them to Vance Air Force Base, and also called ahead to possibly visit with the officer in charge of the architect selection. Upon arrival, they accepted my application and said the person in charge was out and that we would be contacted if any further information was required. After a short period of time I was contacted by telephone by the person in charge of selection and was asked a number of questions with regard to firm size, workload, and availability to do the project. I then asked if we would be able to make a slide show presentation to the selection committee. He then informed me that we had made the short list, and that this telephone call was the interview. I've talked to a lot of people, but I don't think anybody would be hired over a telephone conversation. So we knew at that point in time that we would not be selected for the project.

Another time, we submitted a proposal for a bowling center to be built at Tinker Air Force Base and were joined by a mechanical consultant out of Tulsa, Meridian Engineering, and again we were not selected for the project.

Since that time, our mechanical engineer in Tulsa has submitted for about 15 Government projects in Oklahoma, which he felt he was qualified to do, and at that point—at this point in time he has not been selected on any projects. And I think this man has had three telephone conversations, and most notably that those engineering projects have gone mostly to Arkansas and Missouri firms. So that's been another concern.

But since that time, we have not applied for any more Government work as we felt if we would not be selected to perform architectural services for a bowling center—at which we feel like our expertise is probably unsurpassed—we would not be able to secure any other Government work.

Not wanting to cry over spilt milk, our concern is how do we actually procure Government work if we follow all the correct procedures, show expertise, and yet never get to make a personal interview for a project?

So that's a short synopsis of our involvement with trying to procure Government work.

[The prepared statement of Mr. Fitzgerald follows:]

FITZGERALD ASSOCIATES
architects & interior consultants

STATEMENT

of

Phillip D. Fitzgerald, A.I.A.
(Owner)

Fitzgerald Associates Architects & Interior Consultants

3436 South Lakeside Drive
Oklahoma City, Oklahoma

&

221 North Second Street
Ponca City, Oklahoma

BEFORE

Subcommittee on Government Procurement
Committee on Small Business
UNITED STATES SENATE

Tinker Air Force Base
Oklahoma City, Oklahoma

March 22, 1986

(405) 686-0070 3436 south lakeside drive oklahoma city, oklahoma 73159

FITZGERALD ASSOCIATES
architects & interior consultants

March 20, 1986

I'm Phillip D. Fitzgerald representing Fitzgerald Associates Architects & Interior Consultants with offices in Ponca City and Oklahoma City.

Our firm is an architectural firm employing from 5 to 7 architects and employees. Our Projects vary from small professional office buildings, public schools work with Oklahoma State University and other independent school districts, Municipal work with cities around Northern Oklahoma, and Bowling Centers around the United States for the Brunswick Corporation.

I am currently licensed and practice architecture in six states. I have provided architectural services for approximately 23 bowling centers around the United States and we consider ourselves experts in the design of bowling and recreation centers.

Several years ago after reading an advertisement for architectural services in the "Business Commerce Daily" our firm submitted a proposal to provide architectural services for a new bowling center at Vance Air Force Base in Enid, Oklahoma. I recall the selection criteria was experience, ability to produce the project by a certain date, and proximity to the base. I prepared the standard 254 and 255 forms and hand delivered them to Vance Air Force Base and called ahead to possibly visit with the officer in charge of the Architects selection. Upon arrival they accepted my application and said the person in charge was out and that we would be contacted if any further information was required. After a short period of time I was contacted by telephone by the person in charge of selection and was asked a number of questions with regard to firm size, work load, and availability to do the project. I then asked if we would be able to make a slide show presentation to the selection committee. He then informed me that we had made the short list and this telephone call was the interview. I knew at that time from the tone of the conversation that we would not be selected to do the project.

Another time we submitted a proposal for a bowling center to be built at Tinker Air Force Base and we were joined by an engineering consultant as a joint venture and again we were not selected for an interview.

Since that time we have not applied for any more government work as we felt if we would not be selected to perform architectural services for a bowling center at which our expertise is probably unsurpassed we could not secure any other government work.

Not wanting to "cry over spilt milk" my concern is how do we actually procure government work if we have followed the correct procedures, show expertise and yet never get to make a personal interview to show actual qualifications.

Respectively submitted,

Phil D. Fitzgerald, AIA
Architect

(405) 686-0070 3436 south lakeside drive oklahoma city, oklahoma 73159

Senator NICKLES. Thank you very much for your statement.
Mr. Carter.

STATEMENT OF JIM W. CARTER, PRESIDENT, CARTER CHEVROLET, OKARCHE, OK, ACCOMPANIED BY BETTY VERALI

Mr. CARTER. Senator, I'm Jim Carter, president of Carter Chevrolet in Okarche, OK. I would like to introduce my associate, Betty Verali.

I've been doing business with the Federal Government since 1976. Most of the trucks I sell have very special equipment that is not routinely produced in-house by the manufacturers.

My main dealership location is in Okarche, OK, but I utilize several special truck equipment body company locations around the country for installation of this specialized equipment. The varied locations require a lot of travel on my part in training and procurements, what the product might be, and convincing that particular person that they can do this through the Government bureaucracy and the paperwork. And that's why I travel a lot. In Okarche, I have a staff of 29 talented, specialized people that orchestrate a tight timeframe in administration and production of the contracts. Bank interest factors, though, related to the expensive vehicles and equipment which weigh very heavy, and poor timing in the scheduling of other truck and equipment orders, inspections, delivery and invoicing for payment can really substantiate a lot of loss of profit, depending on how we orchestrate the time we do business.

For the most part, Government contracting is a tough uphill battle combined with a lot of competition and pressure. When mistekes are made on both sides, it can become very costly. In the past 24 months, my costs for attorneys' and engineering fees have exceeded $80,000. These costs are related to two contracts we have inhouse with Warner Robins Air Force Base. One is settled and the other is still in litigation.

I want to give credit, though, to my first contract—goes to the SBA. Upon receipt of my bid at GSA for 46 telephone maintenance 4x4 vehicles, questions arose as to the capability of a small Chevrolet dealer in Oklahoma to perform on a contract that heretofore had only been bid by big manufacturers. My bid being $8,640, and the second and only next bidder was AM General, $10,600. And their bid was $2,000 higher than mine. This evidently created a problem. If it wasn't awarded to me, the only alternative on an advertised procurement IFB was to award it to AM General and send me a bill for the difference. Needless to say, a bill for $92,000 would put me out of business quickly. One of the people at GSA could see what was happening and they put a request in to SBA Regional Office, Dallas and Fort Worth, to have GSA in my region do a preaward survey, and just to see if maybe, maybe I was capable of competing for this contract. Approval came, and we were awarded the business with the Government, thanks to SBA and the small business bidders. Needless to say, I brought the picture, and here I am at Tinker and that first truck was an Air Force truck, Tinker Air Force.

In 1982 I began to pursue a course of requesting small business set-asides at GSA for vehicles that had special aftermarket equipment. The requests went through several people at SBA and GSA, but the answers were always, always, "No. It is not in the best interests of the Government to set aside these procurements for set-aside." Sometimes the people making these decisions have clouded vision and tend to see only the direct interests. And I am at a loss of words to state clearly and emphatically that a lot of credit should go to small business and the SBA for the competitive good that their very, very presence there and in the bidding market does to promote millions and millions of dollars of savings on Government procurements. It's the old system of checks and balances, and it works.

In 1986, procurements for police-type vans at GSA—the major manufacturer came in with a bid of $15,500 per unit. Two years earlier, or 2 years ago, their bid for this same identical vehicle was $17,500. The actual cost of the van increased about $920 over the 2-year interim. Yet, they offered a bid $2,000 cheaper. That results in a price reduction to the Government of $2,920 savings per vehicle. Now, something prompted such a drastic reduction in price. Could it be that competition from us, the small business, caused this? One major manufacturer bid, big business, and won; and seven small businesses bid and lost.

To conclude, competition in the Government marketplace is so competitive and complex that a small business could not begin to get involved without assistance in understanding of the policies and procedures of the Federal Government contracting. It takes a Philadelphia lawyer to read the bids and figure out just what the contract requirements are related to contract regulations and specifications of the items being produced.

This worries me. I have heard rumors that the present administration would like to do away with the SBA because the organization is not effective, or it doesn't merit its existence. Perhaps they should take another look. The SBA has done a great job of getting small businesses involved in Government contracting. Maybe they should give the SBA some more political clout for more set-asides; I mean, real set-asides. I think they should forget the term, "in the best interests of the Government" as it applies directly. We all know that competition is in the best interest of our Government, and small business is necessary to preserve that competition.

We need more SBA set-asides. We need more SBA avenues of education in Government contracting. We need more support when mistakes are made by small business, and we do need the SBA.

Thank you very much. I sincerely appreciate the opportunity to appear before this Subcommittee on Government Procurement.

[The prepared statement of Mr. Carter follows:]

CARTER CHEVROLET AGENCY, INC.
P. O. Box 447 215 West Oklahoma Ave.
Phone Okarche (405) 263-7252 Okla. City (405) 236-3263
OKARCHE, OKLA. 73762

STATEMENT

of

Jim W. Carter

President

CARTER CHEVROLET AGENCY, INC.

BEFORE

Subcommittee on Government Procurement
Committee on Small Business
UNITED STATES SENATE

Tinker Air Force Base
Oklahoma City, Oklahoma

March 22, 1986

CHEVROLET

CARTER CHEVROLET AGENCY, INC.

P. O. Box 447 215 West Oklahoma Ave.
Phone Okarche (405) 263-7252 Okla. City (405) 236-3263
OKARCHE, OKLA. 73762

I am Jim Carter, President of Carter Chevrolet Agency in Okarche, Oklahoma. I have been doing business with the Federal Government since 1976. Most of the trucks I sell have very special equipment that is not routinely produced in-house by the manufacturers.

My main dealership location is in Okarche, Oklahoma; but I utilize several special truck equipment body company locations around the country for installation of this special equipment. The varied locations require a lot of travel on my part. In Okarche, I have a staff of talented specialized people that orchestrate a tight time-frame in administration and production of the contracts. Bank interest factors related to the expensive vehicles and equipment weigh heavy; and poor timing in the scheduling of truck and equipment orders, inspection, delivery and invoicing for payment can result in a substantial dollar loss.

For the most part, Government contracting is a tough uphill battle combined with a lot of competition and pressure. When mistakes are made, it can become very costly. In the past 24 months, my costs for attorney and engineering fees have exceeded $80,000.00. These costs are related to two contracts we have with Warner-Robins Air Force Base; one is settled and the other still in litigation.

Credit for my very first government contract goes to the SBA. Upon receipt of my bid at GSA for 46 telephone maintenance 4x4 vehicles; questions arose as to the capability of a small Chevrolet dealer in Oklahoma to perform on a contract that heretofore had only been bid by a major manufacturer. The second low bidder was AM General and their bid was $2,000.00 higher than mine. If they didn't award to me, the only alternative (on an ADVERTISED procurement IFB) was to award to AM General and then send me a bill for the difference. Needless to say, a bill for $92,000.00 would have put me out of business quick. One of the people at GSA could see what was happening and they put a request to the SBA to have GSA in my region do a preaward survey; and just see if maybe we were capable of completing this contract. Approval came—and we were in business with the Government—Thanks to the SBA.

GM

CARTER CHEVROLET AGENCY, INC.
P. O. Box 447 215 West Oklahoma Ave.
Phone Okarche (405) 263-7252 Okla. City (405) 236-3263
OKARCHE, OKLA. 73762

In 1982 I began to pursue a course of requesting small business set-asides at GSA for vehicles that had special "aftermarket" equipment. The requests went thru several people at SBA and GSA, but the answer was always "NO! It is not in the the best interest of the government to set this procurement aside." Sometimes, the people making these decisions have clouded vision and tend to see ONLY THE DIRECT interests---and I am at a loss of words to state clearly and emphatically that a LOT OF CREDIT should be given to small business and the SBA for the competitive GOOD that their very presence in the bidding market does to promote millions and millions of dollars of savings on government procurements. It's the old system of check and balance and it works!

On a recent procurement for police-type vans at GSA, the major manufacturer came in with a bid of $15,500.00 per unit. Two years ago, their bid for this same identical vehicle was $17,500.00. The actual COST of the van increased about $920.00 over the interm two years; yet they offered a bid $2,000.00 cheaper. That results in a price reduction to the government of $2920.00. Now, something prompted such a drastic reduction in price. Could it be that competition from small business caused this?? (1 major manufacturer bid (big business) and won; 7 SMALL BUSINESSES bid and lost.)

To conclude--competition in the Government marketplace is so competitive and complex that a small business could not begin to get involved without assistance in understanding the policies and procedures of Federal Government contracting. It takes a "Philadelphia Lawyer" to read the bids and figure out just what the contract requirements are related to contract regulations and specifications of the item being procured.

I have heard rumors that the present administration would like to do away with the SBA because the organization is "not effective or it doesn't merit its existence." Perhaps they should take another look. The SBA has done a great job of getting small businesses involved in Government contracting. Maybe they should give the SBA some more political clout for set-asides. I mean REAL set-asides. I think they should forget the term "in the best interests of the Government" as it applies DIRECTLY! We all know that competition is in the best interest of our Government--and small

CHEVROLET

CARTER CHEVROLET AGENCY, INC.
P. O. Box 447 215 West Oklahoma Ave.
Phone Okarche (405) 263-7252 Okla. City (405) 236-3263
OKARCHE, OKLA. 73762

business is NECESSARY TO PRESERVE that competition.

We need more real SBA Set-Asides.

We need more SBA avenues of Education in Government Contracting.

We need more support when mistakes are made by small business.

We need the SBA!

Thank you very much. I sincerely appreciate the opportunity to appear before this Subcommittee on Government Procurement.

Jim W. Carter
Jim W. Carter, President
CARTER CHEVROLET AGENCY INC.

Senator NICKLES. Thank you very much, Mr. Carter. We appreciate your comments.

Our next panelist is Lafair Hebert who is president of A-Bear Janitorial Service.

STATEMENT OF LAFAIR HEBERT, PRESIDENT, A-BEAR JANITORIAL SERVICE CO., OKLAHOMA CITY, OK

Mr. HEBERT. Senator, my name is Lafair Hebert—we've already done that—with A-Bear Janitorial Service. The company is located at 4248 Highline Boulevard in Oklahoma City. We have been in business for 14 years. The company now employs approximately 200 people, of which over 100 of those people work here at Tinker Field. In December 1985 we were awarded the Tinker Field contract, a contract which we have a month—a month and a half—behind us now.

I have been after this contract for over 10 years. We started—now looking back, it seems so easy; but believe me, you must work hard and be persistent to land a Federal contract of this size.

Competition comes from 50 different States and many, many different countries. When the Government decided to open up its doors to small businesses on a large scale, it was the best thing that could have happened to the economic stability and to improve our Nation. But to get a Federal contract, you must educate yourself on the way that the Government does business.

Dave Barghols of the Tinker SBA office has worked hand in hand with me on securing this contract. He has worked, in my opinion, above and beyond the call of duty. He handled every question or problem that myself or my staff had with the utmost courtesy and professionalism, and believe me he was called upon several times. He explained every aspect of the procedures of the SBA and Federal Government contracts to the fullest extent and in a very understandable and pleasant manner. Mr. Barghols really understands the problems of small business and works hard to overcome them. I believe if everyone put as much effort and time into their jobs as Mr. Barghols that there would not be as many problems in securing a Federal contract.

I was able to secure this contract with the assistance of the Tinker Field SBA office, the SBA 8(a) program staff, and the Oklahoma Business Development Center. These federally funded programs have worked very close with me and my staff on attaining knowledge and education to deal with the Federal Government and its redtape.

They have assisted me with proposals, cost factors, contract data, and negotiations which helped us to complete our package. I assure you, it's time consuming, very demanding, and sometimes heartbreaking, especially in financing. But I learned many years ago, nothing comes free. Nothing is easy, and I would like to say that persistence, education, information and, most of all, financing will help you to land a Tinker Field contract—or a Government contract, I should say.

Senator NICKLES. Thank you very much for your statement, and I congratulate you.

You mentioned you got that big contract for Tinker just what—last December?

Mr. HEBERT. Yes, it was awarded in December.

Senator NICKLES. Awarded in December. And you have over 100 people now doing janitorial services on Tinker Air Force Base?

Mr. HEBERT. Yes.

Senator NICKLES. In other words, they're going to have to clean up the mess we leave here?

Mr. HEBERT. No.

Senator NICKLES. I was going to tell everybody to be real neat. I appreciate your statement. I congratulate you. You've been chasing that contract for 10 years?

Mr. HEBERT. For 10 years.

Senator NICKLES. Is that right? So you've been persistent, you've stayed after it. The SBA people did help you with this?

Mr. HEBERT. Without the SBA programs that you have today, I don't think there is any way we could have gotten this contract.

Senator NICKLES. You mentioned you were competing with people all across the country for it?

Mr. HEBERT. Yes.

Senator NICKLES. This is a large contract. Can I mention the amount, or can you mention the amount——

Mr. HEBERT. Go right ahead.

Senator NICKLES [continuing]. Of how large a contract it is?

Mr. HEBERT. The contract is in excess of $2 million a year.

Senator NICKLES. Oh, $2 million a year. And you'll be employing how many people?

Mr. HEBERT. From 150 to 160 employees here.

Senator NICKLES. Are many of those employees—are those new jobs for them?

Mr. HEBERT. Right.

Senator NICKLES. Well, again, I commend you—one, for staying after it; and, two, for the new jobs that you're creating and the people you are employing. I think that's very good.

Mr. Fitzgerald, you had a rough time. Now, you've done a lot of work in your architectural firm; you've kind of specialized in bowling alleys. You've done, what, the architectural design work for 23? Is that——

Mr. FITZGERALD. Over 20—23 or 26; we've got some on the boards now.

Senator NICKLES. So you're doing those where? Just in Oklahoma, all across the country, or——

Mr. FITZGERALD. Right now currently we're working in California, Florida, and Texas, and have completed other projects in Arizona, and also back east.

Senator NICKLES. So you've designed bowling alleys all across the country, but you didn't have any luck at Vance or at Tinker?

Mr. FITZGERALD. None whatsoever.

Senator NICKLES. What was the problem?

Mr. FITZGERALD. You know, I really feel like that any client you deal with architecturally—it's a building that has a lot of input from both sides, the owner or the Government, whoever that would be. And if you can't really get in the door to talk to the people to show them your credentials, to show them your expertise, Form

254 or 255 is not going to do that. And so, actually just going through the Commerce Business Daily and submitting your information is not going to make that happen, and my phone calls made to the Air Force Base that wanted us just to get in the door to meet them and show them what we can do was not going to be allowed, or was not allowed.

So, you know, I really feel like that any project that's going to be awarded to somebody, there has to be personal contact with people. And if you can't get in the front door, you're not going to make it.

Senator NICKLES. Just wondering, for the contract either at Vance or at Tinker, were those done by a local architectural firm?

Mr. FITZGERALD. I'm sorry. After losing, we didn't check into it to see who. We're going to keep working. We're not going back and cry over—you know, try to get back.

Senator NICKLES. Do you happen to know, was your bid the high bid, the low bid?

Mr. FITZGERALD. You know, as I recall, I don't believe the bidding ever entered into the scope of the project. We were—generally, in architectural work, you're based on supposed expertise in what your field is, and there's generally a feel out for your services.

Senator NICKLES. Mr. Carter, you've had quite a lot of success in dealing with the Government, and your first contract that you mentioned in your statement was—what, for 46——

Mr. CARTER. For 46 units, yes.

Senator NICKLES. For 46 vehicles? That was when?

Mr. CARTER. In 1977.

Senator NICKLES. And you were able to save the Government, what, $2,000 per vehicle?

Mr. CARTER. Yes, $2,000 per unit.

Senator NICKLES. I was trying to follow your statement. You mentioned in your statement that if something happened, you would have to pay $92,000?

Mr. CARTER. Oh—in an IFB, an advertised bid when you're bidding and you sign your name as a company, and you are not able to supply that particular unit, then they informed us that they would go to the next bidder and you would pay the difference between the two bids.

Senator NICKLES. I see. So if you came out and said, I will do this for $7,000 a unit, and somebody else said that they'd do it for $9,000, and if you didn't deliver on $7,000 defaulted on the contract, they would go to the next bidder and you would pay the difference?

Mr. CARTER. That's right.

Senator NICKLES. That's putting your money where your mouth is on your bids, isn't it?

Mr. CARTER. Yes, that's true.

Senator NICKLES. We've heard a lot of complaints in times past about fudging on contracts and so on, but that's a pretty firm contract.

Mr. CARTER. Right.

Senator NICKLES. You're going to be held to it or else, huh?

You're a Chevrolet dealer in Okarche, OK, but yet you're selling trucks to the Government all across the country?

Mr. CARTER. That's true.

Senator NICKLES. Were all 36 units for Tinker or did they go all across the world?

Mr. CARTER. No, I recall that they went all across the United States. I believe there was only six came here.

Senator NICKLES. And you're still doing business or—you're still bidding on a lot of different vehicle contracts?

Mr. CARTER. Yes, we are. We still are bidding on procurements at different agencies.

Senator NICKLES. From a national perspective—and again, I have to let everybody know that I'm also interested in saving money, saving money for the taxpayer and reducing the amount of money that the Department of Defense spends—I'm seeing in your case, your example of other cases, you're competing in many cases with the original manufacturer; but, evidently, you're beating them because you're getting some contracts. Is that——

Mr. CARTER. That's true. What I was trying to point out was that the small business does have input in competitive bidding, and we did have some set-asides; we would be more able to stay in business to compete on a small business scale, on the small business set-aside, and we also would have the capabilities as long as we survived and are not choked down. We would be able to also quote on the big side against big manufacturers, which keeps the competition down. As long as we can survive on the small side and have some business on a set-aside business basis, we can survive. That means the big people cannot come in and take away from us the small business. Whereas, we want to be around in the future to be able to quote and keep the big people in line with their pricing, which is very evident in my statement.

Senator NICKLES. In your one example, I think you showed where you end up. Through the course of your bid you were able to save almost $3,000 per unit, or save the Government, even though you didn't get the contract, I guess, in your second example. Is that correct?

Mr. CARTER. Well, the reason—the first bid being $18,000—$17,500 was what they sold it for before, and then a small business sold them the next year.

Senator NICKLES. I see.

Mr. CARTER. Came in and sold them, which made it like an uneven basis, and then the big business knowing it wasn't set aside for small business, came back in and took it away at a lower price.

Senator NICKLES. I hear you. So what you're basically saying is, if you can keep some more bidders and more competition in it, it's going to save taxpayers some money in the long run?

Mr. CARTER. That's true.

Senator NICKLES. Well, I congratulate you for the work that you've done and for the jobs that you're providing for the work force. I've had the pleasure of being in your facility, and that's not just a small Chevy dealership in Okarche, OK. You do have quite an operation with some very competent staff, and I commend you for it.

To all of our panelists, I thank you very much for your participation in the hearing today.

Our next panel, we have Richard Clements who is manager of Industrial Development for the Oklahoma City Chamber of Commerce; Lloyd Miller, State director of Oklahoma Small Business Development Centers from Durant; Dr. Steve Gordon, manager of Research Services from BidNet in Rockville, MD; and Mr. David Schaaf, director of Commerce Center, Indiana Department of Commerce.

STATEMENT OF RICHARD D. CLEMENTS, MANAGER, INDUSTRIAL DEVELOPMENT, OKLAHOMA CITY CHAMBER OF COMMERCE, OKLAHOMA CITY, OK

Mr. **Clements**. Senator Nickles, it's a pleasure to be here this morning. Thank you for inviting me.

Ed Cook, president of the Oklahoma City Chamber of Commerce, sends his regards. We apologize for him being out of town and already committed.

The Oklahoma City Chamber of Commerce has had a long working relationship with Tinker Air Force Base. In fact, quite a number of years ago we were largely responsible for locating that base here in the Oklahoma City area.

In my capacity at the chamber, industrial development, I frequently talk with companies that have an interest in doing business with the Government; and most of the time, contacts I have relate to companies that have not done business with the Government or with Tinker and are needing to learn more about the process and to have contacts that would help them to begin this process.

One of the things I particularly try to do is give them some kind of realistic expectation, because many of them come to me with very unrealistic expectations. They're really not understanding what they're talking about being involved in.

I give them the information that they need to contact the assistance offices with the SBA, with Tinker Air Force Base and give them information that is available, attending a contracting workshop so they can learn in considerably more detail what is required to be successful. In fact, I've encouraged them to take advantage of those workshops so that they don't find themselves involved in something that they can't realistically be successful in.

Many of these businesses are looking for something to add to the business activities, and it's not their primary area of activity. They're trying to supplement because of current economic conditions and something related to that. And they have to understand that it takes a commitment, it takes knowledge, it takes resources to be successful, and it's not for everybody. And if they get—they spend too much time finding these things out, it's going to cost them. We hope that they have realistic expectations early so that there isn't time wasted by both parties involved.

Recently—in fact, on March 4—we organized a group of central Oklahoma bankers, over 20 of them, to come to Tinker Air Force Base and spend time with General Bowden, Mr. Barghols, Mr. Schultz, Colonel Hedges' contracting and manufacturing office to try to help make these banking people who are very involved in the businesses of their clients because they help provide resources, and we hope that in the process they would learn more about the contracting process, that they would understand what it is, that their clients—what they're attempting to do or might have potential in, to encourage those who are not attempting to contract who have that potential, to understand those of their clients who are currently active and who need resources. They may need to borrow capital, and it's very helpful to those banks to understand where it is that their business is and what they're providing money for.

The General and his staff were extremely, extremely cooperative, bent over backwards to answer questions, to entertain suggestions, to provide information and leave us with a much, much better perspective in what is really and truly involved in this entire process, and to help create an environment that these companies can be more successful.

In that respect, it was a very successful and beneficial meeting that we had.

As in anything worth doing, Government contracting requires a considerable amount of effort. It takes commitment; it takes time, determination; and it's important that these companies realize that before they get involved in the process so that they are in for the long haul. They must understand the real aspects of the world, and the kinds of things that I'm involved in in trying to attract industry to Oklahoma City. If they're looking at 10 cities, they're only going to pick one and there are going to be 9 disappointed cities. If there are 10 companies bidding the contract, there are going to be 9 that are disappointed.

[The prepared statement of Mr. Clements follows:]

Oklahoma City
Chamber
of Commerce
One Santa Fe Plaza
Oklahoma City, OK 73102
405-278-8900

STATEMENT

of

RICHARD D. CLEMENTS
Manager, Industrial Development

OKLAHOMA CITY CHAMBER OF COMMERCE
Oklahoma City, Oklahoma

BEFORE

Subcommittee on Government Procurement
Committee on Small Business
UNITED STATES SENATE

Tinker Air Force Base
Oklahoma City, Oklahoma

March 22, 1986

My name is Richard D. Clements. I am the manager of Industrial Development for the Oklahoma City Chamber of Commerce.

I appreciate the opportunity to make a few comments before you today and to let you know a few things that the Oklahoma City Chamber of Commerce has done to facilitate and encourage small business to take advantage of government contracting opportunities.

It seems that there is concern recently, particularly in Oklahoma, that many small businesses are passing by an opportunity to participate as contractors to the government. Most of this recent concern stems from a downturn in economic activity related to the structure of the state's economy. This downturn has caused various persons and the media to place more emphasis on alternative economic opportunities in the hopes of identifying areas of endeavor that will make up for the lack of activity in traditional areas.

Thus, we have generated an aura of expectation that may be difficult, if not impossible, to meet.

Changes have occured in the procurement system that have been implemented to create more contracting opportunities for small businesses and at the same time benefit the government by helping to take advantage of more competition and economic benefits that might result from that. Ideally, quality would then be maintained according to prescribed standards and price would drop. With fewer intermediary steps in the process, there would be less necessity for profit to be taken at different levels.

What appears to have happened in Oklahoma is a case of increased demand, but not a corresponding increase in supply. There are more and more contracts being competitively bid and thus available to be fulfilled by small business. But, with the exception of those companies already bidding and receiving contracts, the small businesses are not prepared to effectively participate in the system. For the most part, companies that have the desire to contract don't necessarily have the skills to be successful. The skills needed relate to two main areas. The companies need a working knowledge of the particulars of procurement practices and regulations and they also need the technical expertise in engineering and materials so that they can fulfill the stipulations of the contract.

A great many companies that have latched on to this idea of government contracting just do not understand the kind of capabilities they must have to be successful.

Recently, the Oklahoma City Chamber of Commerce organized a group of over twenty Central Oklahoma bankers for a meeting at Tinker Air Force Base on March 4, 1986. This meeting was hosted by General Bowden, Logistics Center Commander, Colonel Hentges, Director of Contracting and Manufacturing, Mr. Shultz, Director of Competition Advocacy, and Mr. Barghols of the Small Disadvantaged Business Utilization Office. Each made presentations to the group.

The result of this meeting was to create a greater understanding of the potential for government contracting in Oklahoma among the participants. General Bowden and his staff presented a wealth of information that demonstrated their obvious commitment to improving the contracting process and the communication that must occur in order for this to be accomplished. They were not only receptive and cooperative, but eager for constructive input that might result in benefits to the Air Force and contractors. They are willing to examine any worthwhile proposition.

For a number of years periodic workshops have been held by Mr. Barghols to help make companies that might become contractors more familiar with what is necessary to be successful. Bankers became involved because of their very regular contacts with clients who might either already be contractors or clients who aspire to become contractors. An improved understanding on their part can be very helpful in that they might be in a position to provide capital for these companies or recognize other kinds of opportunity that is currently being passed by.

In my daily activities, I receive many inquiries from companies interested in learning more about contracting opportunities. As a matter of course, they are told about the available workshops and the assistance available through the Small Disadvantaged Business Utilization Office. The Chamber also publishes notices telling of available upcoming workshops (see exhibit).

Recently, it was suggested by Governor Nigh that it might be appropriate for the State Department of Economic Development to establish an office of liason and assistance for Oklahoma small business that would encompass all federal government contracting opportunities within the state. This appears to be a concept worth pursuing, particularly if it complements existing efforts to encourage small business opportunities and assistance.

Thank you very much for the opportunity of appearing before your committee today.

Preparations underway for 24th Lyric season

Seven guest directors and choreographers have been chosen for the summer season at Lyric Theatre. Musicals for the upcoming season include EVITA, BRIGADOON, PIPPIN, THE 1940'S RADIO HOUR and THE MUSIC MAN.

John E. Lowe, III will be directing EVITA and PIPPIN. Jayne Turner will be working as choreographer for EVITA, and PIPPIN will be choreographed by Gwen Hillier Lowe.

The director for THE 1940's RADIO HOUR will be Jack Hallett, with Benjamin Peter Westerhoff serving as choreographer. THE MUSIC MAN will be directed and choreographed by John F. Sharpe. Sharpe will also be directing BRIGADOON for the season. The play's choreographer will be Amy Danis.

Lyric's 24th season will begin with EVITA, which will be presented from June 10-21. Season tickets to all Lyric performances are available for $49 and $64. Tickets may also be purchased for individual presentations. For ticket information, contact Lyric Theatre, 2501 N. Blackwelder, OKC, 73106, 524-7111.

Vo-Tech/Tinker AFB offering two workshops

Francis Tuttle Vo-Tech Center and Tinker AFB Small Business & Contractor Relations Office will be offering two workshops designed to provide businesses with the procedures and information necessary to participate in Federal Contracting Opportunities. The workshops will be held at Francis Tuttle Vo-Tech, on Thursday, April 17 and Thursday, June 12. Registration will begin at 8:00 a.m. and the program will run from 8:30 a.m. to 5:00 p.m.

The workshops will be the same program, featuring how to find the right government market place; how to get on the bidders mailing list; how to fill out a government solicitation; and administrative actions after contract award.

Registration is limited. The price, which includes lunch, is $15. For further information on the workshops, contact Francis Tuttle Vo-Tech Center at 722-7799.

Group to visit Northwest

90th Goodwill Tour scheduled

The Oklahoma City Chamber of Commerce 90th Goodwill Tour will take place Wednesday th[illegible]riday, April 30-May 1 & 2. The group will tour the Northwest and North Central areas of Oklahoma.

The Goodwill Tour began before statehood and has run one or more times each year, except for the war years. The tour includes street stops, entertainment, six meal programs and scenic attractions.

Many individuals have already signed up for the trip. The group kicked off their campaign to sign up the travelers on March 13, according to Bob Minor, chairman of the Chamber's Goodwill Tour Council.

Goodwillers will stop in 19 communities, presenting programs, giving out souvenirs and building goodwill between Oklahoma City and our neighbors throughout the state. Prospective tour members are urged to sign up early, as there is a limit on the number who can go. The tour price is $225 and there is a $13 discount for those who pay by April 14.

Anyone interested in learning more about the Goodwill Tour is invited to attend a meeting Wednesday, March 26 at 3:30 p.m. in the Presidents Room at the Chamber. Points of interest the group will visit this year include the Marland Mansion in Ponca City, the restored area of Guthrie, the Great Salt Plains and Alabaster Caverns.

Those signed up for the Goodwill Tour include Joy Reed Belt, Joy Reed Belt & Associates; Ed Beltram, AT&T; Ed Birchall, Ho Ho the Clown, KOCO-TV; Ralph E. Bradshaw, Bradshaw Construction Company; Tom Brower, Oklahoma Publishing Company; R.C. "Doc" Collins, Downtown Now; Don Dolph, Blue Cross; Doris Duncan, DKD Enterprises; Kay Fenimore, Liberty National Bank and June Fletcher, Oklahoma Natural Gas Company.

Other tour members will be Donna Hopkins, Manpower; Hank Johnson, O.G.&E.; Bill Koonce, Oklahoma Natural Gas Company; Howard Lane, C.L. Frates & Co.; Robert E. Lee, The Daily Oklahoman; Curt Lezanic, Oklahoma City Community College and Patty May, State Fair of Oklahoma.

Also signed up are Earl Million, Southwest Computer Conference; Dorsena Picknell, 89ers Baseball Club; Paul M. Pond, Oklahoma Transportation Company; Don Rowe, O.G.&E.; Dick Rudolph, State of Oklahoma Tourism and Recreation and Harry Wilson, St. Anthony Hospital.

Other signed up are Justin Hill, Oklahoma Restaurant Association; Jonathan Wood, Little Red Express; Jim Owens, Southwestern Bell Telephone Co.; Choc Charleston, Choctaw Trading Post; Bob Minor, Bunte Candies; Gene White, Presbyterian Hospital; Gerald McCall, Woods Petroleum; Dr. J.B. Pitts, Oklahoma County Medical Society and Swede Olson, News Express Inc.

Also Joe Josephson, Sooner Temporary Services; Brenda Price, Holiday Inn West; Rosemary Bachle, Bachle Realty; John M. "Chip" Fudge, Credit Collections Inc.; Hal Young, OPUBCO; Charles R. Brown, C.R. Brown and Associates, Inc.; Nancy Gary, Hilton Inn West and Mary Ours, Meridian Plaza.

oklahoma

Official Publication of the

Oklahoma City
Chamber
of Commerce

(Established May 25, 1889)

Number 2946 March 20, 1986

CLAYTON ANDERSON, Executive Editor
DEBORAH A. STUART, Editor
Telephone (405) 278-8900

OKLAHOMA (ISSN 0030-1639) is published the first and third Thursday of each month by the Oklahoma City Chamber of Commerce, One Santa Fe Plaza, Oklahoma City, OK 73102. Second class postage paid at Oklahoma City, OK. POSTMASTER: Send address changes to OKLAHOMA, Oklahoma City Chamber of Commerce, One Santa Fe Plaza, Oklahoma City, OK 73102. Subscription: $5 per year included in Chamber membership, nonmembers, $25 per year.

Senator NICKLES. Thank you very much for your comments.

Mr. Miller.

STATEMENT OF LLOYD B. MILLER, STATE DIRECTOR, OKLAHOMA SMALL BUSINESS DEVELOPMENT CENTERS, DURANT, OK, ACCOMPANIED BY CARL R. ECHOLS, STATE TRAINING COORDINATOR

Mr. MILLER. Senator, I'm Lloyd B. Miller, the State director of the Oklahoma Small Business Development Centers. I have with me Mr. Carl Echols, training director of that organization, to assist in answering questions.

The Oklahoma Small Business Development Centers are spaced throughout the State, utilizing the regional university system as a base. The primary purpose of the system is to provide, for small business, consultation, training, management assistance and support by bringing to bear the many and varied resources of the university system, private consultants and, through networking with other Federal and State organizations, provide specific expertise in all areas.

We, through the Center for Entrepreneurship at Southeastern Oklahoma State University, submitted a proposal to the Department of Defense for a Defense Procurement Technical Assistance Program, to be operated in conjunction with the OSBDC network, which is already in place. We further intend to submit a proposal for such a cooperative agreement to computer-match individual small business capabilities with offerings by Federal agencies, prime contractors, State and other contracting agencies. This proposal plans to use the SBDC computer network, which is already in place, for information dissemination.

We, as a small business resource, have been trained by Mr. Barghols and Mr. Nechvatal at the workshops provided by Tinker Air Force Base Small Business and Contract Center. This training has equipped our centers to work with small business clients as they become involved with Federal procurement. In our role of small business counselors, we have had occasion to refer clients to OCAMA and SBA procurement specialists, with excellent cooperation and results. A program of seminars beginning with a Statewide conference in conjunction with the University of Oklahoma, OCAMA, SBA, KIAC, GSA, DCAS, and DOED—this first workshop will be the keystone in a series of regional workshops, seminars and courses for small business people covering such topics as how to prepare a quality control system and manual to satisfy Federal requirements; military specifications—how to use them, interpret them, and feel comfortable with them; how to prepare my company personnel to work within the confines of Federal procedures; and things like, my company can qualify as a Federal supplier now that I know what they want.

The OSBDC is an in-place, active network who, through networking with public and private sector consultants and agencies, can and does provide much needed assistance to the small business community. We feel that the addition of a Defense Procurement Technical Assistance Cooperative Agreement would supply a very important role in mainstreaming Oklahoma small business in the Federal procurement system.

Thank you.

[The prepared statement of Mr. Miller follows:]

STATEMENT OF
LLOYD B. MILLER, STATE DIRECTOR

OKLAHOMA SMALL BUSINESS DEVELOPMENT CENTERS
DURANT, OKLAHOMA

BEFORE
SUBCOMMITTEE ON GOVERNMENT PROCUREMENT
COMMITTEE ON SMALL BUSINESS
UNITED STATES SENATE

TINKER AIR FORCE BASE
OKLAHOMA CITY, OKLAHOMA

March 22, 1986

Senator, I am Lloyd B. Miller, State Director of the Oklahoma Small Business Development Centers. I have, with me, Mr. Carl Echols, Training Director of that organization to assist in answering questions.

The Oklahoma Small Business Development Centers are spaced throughout the state utilizing the regional university system as a base. The primary purpose of the system is to provide, for small business, consultation, training, management assistance, and support by bringing to bear the many and varied resources of the university system, private consultants, and through networking with other federal and state organizations provide specific expertise in all areas. We, through The Center for Entrepreneurship, at Southeastern Oklahoma State University, submitted a proposal to the Department of Defense, for a Defense Procurement Technical Assistance Program, to be operated in conjunction with the OSBDC network, which is already in place. We, further, intend to submit a proposal for such a cooperative agreement to computer match individual small business capabilities with offerings by federal agencies, prime contractors, state and other contracting agencies. This proposal plans to use the SBDC computer network which is already in place, for information dissemination.

We, as a small business resource, have been trained by Mr. Barghols and Mr. Nechvatal at the workshops provided by Tinker AFB Small Business and Contract Center. This training has equipped our centers to work with small business clients as they become involved with federal procurement. In our roll of small business counselors; we have had occasion to refer clients to OCAMA and SBA Procurement specialists with excellent cooperation and results. A program of seminars beginning with a state wide conference in conjunction with the University of Oklahoma, OCAMA, SBA, KIAC, GSA, DECAS, DOED. This first workshop will be the keystone in a series of regional workshops, seminars and courses for small business people covering such topics as: "How to Prepare a Quality Control System and Manual to Satisfy Federal Requirements", "Military Specifications, How to; Use Them, Interpret Them and Feel Comfortable with Them", "How to Prepare My Company Personnel to Work Within the Confines of Federal Procedures", and "My Company Can Qualify as a Federal Supplier Now That I Know What They Want".

The OSBDC is an in place, active, network, who through networking with public and private sector consultants and agencies can and does provide much needed assistance to the small business community. We feel that the addition of a Defense Procurement Technical Assistance Cooperative Agreement would play a very important roll in mainstreaming Oklahoma Small Business in the Federal Procurement System.

Mr. Lloyd B. Miller, State Director
Oklahoma Small Business Development Center
Southeastern Oklahoma State University
Station A, Box 4194
Durant, OK 74701
(405) 924-0277

Senator Nickles. Mr. Miller, thank you very much.
Mr. Schaaf.

STATEMENT OF A. DAVID SCHAAF, DIRECTOR, FEDERAL MARKETING DEVELOPMENT DIVISION, INDIANA DEPARTMENT OF COMMERCE, INDIANAPOLIS, IN

Mr. Schaaf. Yes, sir. Good morning, and I do appreciate the opportunity to be here. And probably one of the many things I'm going to do is support Mr. Clements in his suggestion that Oklahoma should have a cooperative agreement. I'm here as an advocate of cooperative agreements, and we certainly appreciate it.

I have a lengthy testimony here and, of course, am not going to give it all to you.

Senator Nickles. Thank you.

Mr. Schaaf. However, I do have a few comments that I would have liked, after listening to all of the speakers here this morning, to change every time I heard one, because that's the business we're in—the business of helping small businesses market to the Federal Government. For all of the programs the Federal Government has in-house, for all of the people they have devoted to those programs, and for all of their good intentions, the fact remains that the people within the Federal Government are very restricted and restrained as to how they can actually help a small business do business with the Federal Government. They can't do it at the right time. Quality control cannot be discussed before—they won't discuss quality control with an individual firm before that contract is awarded, and then only regarding that contract. They cannot help a small business firm bid a solicitation when that solicitation is actively on the street, and that's when the small business needs that help. That's the sort of thing that is the problem.

You know, the semantics of the whole thing, I think, is a true indication of the problem. We talk about procurement conferences. We have all kinds of procurement conferences. We talk about procurement help. But the fact is that procurement help is not what a small businessman needs. He needs marketing assistance. The procurement help, the people buying stuff, heaven knows they don't need help. Well, they may need help, but that's not what we're talking about. We're talking about helping a small business market to the Federal Government. That's what our group in Indiana—the Federal Marketing Development Division—does, and we are doing that because of the cooperative agreement that the Congress approved—$2 million in 1985; we got $150,000 of that, and were able to leverage $150,000 from the State government and another $150,000 from local governments—to put into effect a good quality program to help small businesses market to the Federal Government.

In all due respect to General Smith earlier, one of the problems is that the small businessman cannot find out what he wants to bid on. The Commerce Business Daily is a very important part of the small businessman, at least in the beginning, trying to identify things to do; and if we cut out everything under $25,000, we're cutting out four-fifths of the Commerce Business Daily, and that tool will no longer be available. So in deference to General Smith—although I regard him very highly—he is looking at it from a procurement standpoint, from a Federal Government standpoint, and when I was on that side of the house, I looked at it that way, too, but now I look at it differently. It's very important to synopsize those things that they need, and to get that word out to the small businessman so he knows what is available.

I suggest you take out all the starred items, those items that are sole-sourced and couldn't be of any use to the small businessman anyway. Somebody might be looking at that to realize one way or another how the Federal Government is still in this sole source business. Take out those stars. We don't care about them; just give us the items that the small businessman can, in fact, bid on.

Now, we've developed a system within our organization to help him further identify those items when he sees them so that he can tell whether or not he can bid on those items. And that's the kind of service. I did synopsize in here nine specific problems that we had in our office the day that you sent your invitation for me to testify here today, and I think it might be of interest to show you the breadth and the depth of the services that we do provide in that organization.

There are 26 cooperative agreements in effect right now. I left yesterday from a national convention that we at Indiana hosted for all Federal marketing specialists throughout the country, and there were 135 people at that convention, only 15 of which were Federal Government people and small business specialists. The rest were individuals on the civilian side of the house in this business today. Five years ago, when I started this business, I could count on two hands the number of people in it on the civilian side; now, there are probably 500 people who would have attended that convention, but because they were busy working with small businesses, were not able to attend. However, the results of that convention do indicate that the people are out there; they're very dedicated to this. We're very dedicated to work very closely with all of those people within the Federal Government that can help us do our job. The small business specialists, the PCR, the breakout PCR, the competition advocate, all of those people are important to help us do our job. But we plug into the Federal Government where the small business needs to be plugged in, not starting from scratch, but we do lay all the groundwork. We help those people decide whether or not they have a market with the Federal Government, whether or not they have a capability. We help them develop capabilities, things the Federal Government people really can't do.

And so, your work in Congress with the cooperative agreements—$2 million in 1985, $5 million in 1986, and I believe it's up to $6 million in 1987—that money will turn faster and show more return for the dollar than any money you spend in the Federal Government toward Federal marketing or Federal procurement.

Thank you very much for this opportunity.

[The prepared statement of Mr. Schaaf follows:]

A. DAVID SCHAAF, DIRECTOR
FEDERAL MARKETING DEVELOPMENT DIVISION
INDIANA DEPARTMENT OF COMMERCE

ORAL TESTIMONY BEFORE THE U.S. SENATE COMMITTEE ON SMALL BUSINESS

FIELD HEARING - OKLAHOMA CITY, OKLAHOMA
MARCH 22, 1986

Senator Nickles:

I am pleased and honored to have been asked to come here today to participate in this hearing. Hopefully, I can help this committee better understand some of the problems of the small business person in their commerce with the Federal Government and how we, in the State of Indiana, have attempted to help alleviate some of those problems with our Federal Marketing Assistance Program.

As a retired Navy Supply Corps Commander, testimony to congress brings back memories of my days in Washington in the early 1960's when I was one of the Navy's liaisons to Congress's General Accounting Office. It was then that I was initiated into the comercial contractor's problems of doing business with the Department of Defense.

Throughout my Naval career, I became involved in most aspects of the procurement process culminating in my final assignment as Commander, Defense Contract Administration Management Area, Indianapolis. There, I worked directly with large and small businesses who were Department of Defense Contract receipients. Our job involved the administration of contracts let to Indiana Firms.

In that position I was aware of the programs in the federal government that helped small businesses do business with us.

There were on-going programs at that time and the Small Business Specialists of today are a very important link in the small business assistance chain.

The Small Business Administration has provided valuable services to small businesses especially in their Certificate of Competency and loan programs. Many of their publications and counciling efforts have also been important tools.

More recently, the SBA's Procurement Center Representative's have been helpful, and now their program to place breakout specialists in major buying activities appear to be a big step forward.

Of course, the services have been developing additional programs themselves which directly or indirectly help the small business person. They are devoting many man years to the breakout of spare parts and have initiated the Competition Advocate Program which we have found useful in aiding small business. But the greatest thing to have been accomplished to date in my opinion has been your legislation in Sec 124.1(a)(1) Title 10 U.S. Code where in you passed legislation by inserting Chapter 142 the "Procurement Technical Assistance Cooperative Agreement Program".

A discussion of the effects of this program and its accomplishments is the purpose of my being here today.

While on the Commander in Chief, Pacific, Staff in the early 1970's one of my jobs was to work with and encourage the Japaneese Defense Force to develop their industrial mobilization base to help them in a contengency situation because they were spending very little on defense. Their answer was always "The time isn't right for that." We didn't really get very far with them. You know, Senator, for the past fifteen years I see the same sort of attitude prevelent in our own government at all levels-from Congress to the Defense establishment on down. The time isn't right!

A good example of this is a heavy metal caster in East Chicago, Indiana today. As the M-60 tank production for foreign countries is finally winding down, we (the U.S.) are in great jeopardy because we are losing our only capability for 5000 to 160,000 pound castings for all time because we, the company and the state, haven't been able to get to anyone in authority who understands the consequences of this loss of capability in the broad picture of our future mobilization base.

It is just as difficult to introduce new products to the federal government. We find if the government has not spent millions of dollars to develop it, it's very hard to sell. An example is an Indianapolis inventor who developed a way to mix PTFE and rubber thereby drastically improving the life of rubber products like tank tracks. His marketing has been a long and hard process and we are far from winning at this point. Of course, he is fighting the whole rubber industry when he has a technology that will possibly produce automobile tires that will last the life of the car; or tank tracks that could last long enough to get an M-1 tank to battle.

It was frustrations like these that I had when I left the Navy, and they have increased since then. I realized however, that you cannot legislate everything the small business, or for that matter, the government needs.

For all the programs the government has available to small businesses, for all the people made available inside the government, and for all the good intentions of those people, the programs and the people are oriented to the government's needs, not the small businesses. They are by law strictly limited in what effective assistance they can provide. The small business specialists are, by design, oriented to their own facilities, their own activities' requirements, and they do a good job! They cannot however, give an overall market analysis of the potential of the opportunities througnout the system and where the busness person should direct his attention for his specific product or service.

Their assistance is not available at the right time for the business. They will not provide quality assurance advice before a contract is awarded and that is when the business dearly needs it. They are restricted by law and policy in providing bidding assistance on a solicitation when it is actively on the street and that is when the new business really must have help. They truly do their best to answer questions within their capabilities, but the business person must ask the right questions. The very semantics of the thing indicates the major thrust of the problem. "Procurement assistance," "procurement conferences," and "procurement technical help". Senator, the small business person doesn't need procurement or purchase help! He needs marketing help. He needs to know how to sell to the federal government.

For these and many more reasons, the real help must come from people outside the government.

Earlier, I said I thought that the greatest program to date authorized and approved by the Congress is the Procurement Technical Assistance Cooperative Agreement Program wherein the Congress has provided seed money to leverage additional funding at the state and local level to develop comprehensive, thorough, marketing assistance in a hands on business orientated effort to actively seek out those existing, viable healthy, stable firms currently doing some business with the federal government but who have not been made aware of the whole market; or those same kind of businesses who have never given proper thought to this monstrous market potential sitting in their back yard.

I honestly believe that I can find a market for any non-retail firm, with a product or service to sell, somewhere in the federal government.

The Governor and Lt. Governor of Indiana realized early on, the need and the potential of the federal market as an economic development tool. They had the forsight to comprehend that something was lacking in our state participation in that market and that a gap needed to be filled.

Indiana firms needed to be encouraged to enter the federal market and they needed help to do it. Thus, I became a contract consultant hired by the state to provide marketing assistance directly to Indiana firms. We were in that mode for four years. With our encouragement regional assistance offices were also organized in the Northwest and Northeast areas of the state solely with local monetary support to do what I was doing for the state.

It was not until your cooperative agreement funding was made available that Indiana got its act together. We applied for and received one of the Cooperative Agreements. With federal government leverage of state and local funds, we were able to develop a really good program. That program is only six months old and has suffered the throughs of infancy, but we started with people that understood what help was available from the federal government and what holes we needed to fill with our program.

We are not the only ones. There have been many fine programs started as a result of these cooperative agreements. With the 1986 and 1987 follow on legislation, I'm looking forward to many more local efforts.

For your information I have provided a fairly comprehensive discussion of the details of Indiana's Federal Marketing Assistance Program as an enclosure to my testimony today.

We are happy to make it available to you and to anyone who needs guidance in developing their own program.

In the very short time I have to actually talk with you this morning I would prefer to very quickly discuss the kind of things we do for the small business person in our state to illustrate I hope the breadth and depth we cover in our marketing services.

When I received your letter, I decided the best way to illustrate the problems of the business person and the problems caused by the federal government was to select actions that our office was involved in on that day. I have included a snyopsis of nine such actions as an enclosure to my testimony. I briefly mentioned two of them earlier: the problem of winding down a 20 year support effort of a major weapon system production line, and introducing the new rubber technology.
The others involve assistance for obtaining color chips for painting requirements; the difficulty of finding national stock numbers for manufacturer's part numbers; being unable to get on a federal supply schedule after eight trys; being unable to obtain complete drawings; not knowing how to make the proper contacts at a particular buying activity; finding sources for production items identified by the breakout programs; determining how to re-enter the market after experiencing problems on a previous contract; determining ways to speed along the regular audit, pre-award and/or first article process in cases of company internal emergency; and confirming the future stability of a company to their working capital lender when the government process bogs down.

Senator, I want to emphasize that these are only representative problems which our assistance office helped companies solve within a day of receiving your invitation to testify. I could never compile a complete list of areas the small business person encounters. I get hit with new ones every day. I also wish to emphasize that in helping Indiana small businesses, we utilize all of the government people I have mentioned before who are made available to those small businesses. They are all necessary in this process. We sort out problems and plug firms into the government system at the right place, saving everyone time and effort. We like to think we are helping to save government procurement people time and the government money in this respect.

In all of the cases illustrated, the worth of our assistance program cannot be measured purely in short term awards of contracts or sheer numbers of companies using our services. The value to the state of Indiana in terms of economic development and stability and the worth to the federal government in developing and, just as important in maintaining useful, capable contractors to support the national industrial base go far beyond numbers.

I can report, however, we have met or exceeded our approved goals for the program for the first six months as listed in Exhibit F of enclosure 2 of this testimony.

I do appreciate the opportunity to be here today and hope that my submission of materials will support your efforts to aid the small business person in federal marketing assistance. I will be happy to answer any questions and will make myself available for more detailed discussions of businesses problems and possible solutions any time and anywhere.

Thank you, sir.

ASSISTANCE EXAMPLES

The following are examples of the types of assistance provided by the Indiana Fedeal Marketing Development Division during a typical day in March, 1986:

Example 1-Heavy Metals Foundry.

A Northern Indiana heavy metals foundry and subcontractor for a major tank manufacturer for the hull and turrent castings of a tank now at the end of it's production program has recently been sold. We had been involved in finding a buyer for the company for the past two years.

Last week, after meeting with Army and Congressional leaders in Washington, the new owners decided to conduct an intensive letter writing and petition program directed at the President. This was to be a last resort measure to keep production going for one more year. We contacted them to discuss marketing, new production programs and other altenatives to the tank production in an attempt to counter their perspective as to what their perceived last ditch effort might do to their future relations with the best customer they have ever had, the Federal Government. We have suggested some alternatives which may be more positive and fruitful in the long run as to actions necessry to keep their 800 employees on the payroll. This problem obviously is not resolved at this point, but we think we will be able to provide a more positive solution.

Example 2-Rubber Process Invention

An Indianapols Inventor has discovered a new technology that combine Polyutetrafluoroethylene (PTFE) and all rubber materials to give greatly enhanced physical properties. This technology consists of the additive, alphaflex, and the processes that combine it with the base rubber. The U.S. Patent Office has declared this to be New Art and patent applications have been made world-wide. It is possible to fine tune the properties according to the applications, which include: O-rings, seals, gasketts, windshield wipers, energy absorders, tires, belting, hoses and many other military uses, including Tank-Track Pads. Many validated research programs have shown that the product in dynamic applications interferes with the hysteresis cycle, resulting in less heat buildup and major improvements in product life.

The U.S. Army Tank and Automotive Command (TACOM) has successfully laboratory tested the product for use in tank-track pads and in November, 1983, the company sent two compounds consisting of 74 pads each for T-142 tank pads to Yuma Proving Grounds for field tests. The test programs were completed, however, to date, the company has not received the results. They were told they were put on the distribution list. On site reports indicated that the test results of these products were outstanding. In November, 1984, the company sent T-156 track to the Yuma Proving Grounds for qualification tests which were completed during July, 1985. To date, the company has not been officially informed of the qualification test results.

Enclosure 1

The company has an R&D contract with TACOM, however, they understand the R&D tests are ongoing at Aberdeen Proving Ground, MD. They have received no formal communication from TACOM.

Our office has been providing consultation to the inventor for the past three years. The Indiana Corporation for Science and Technology has provided grants to enable him to manfacture the test tracks for the Army tests. Here we have a possible great improvement to the wear problems of the Army's M-1 tank tracks, but the solution is coming from a small business man and it appears he is bucking the largest rubber manufacturers in the country. We recently met to develop a new strategy for marketing the product to TACOM.

Example 3-Metal Label Manufacture

A local firm, specializing in the manufacturer of metal labels for a military contractor, had been experiencing difficulty in obtaining color chips for an awarded contract. The manufacturer had seemingly exhausted all avenues, from the paint manufacturer to the buyer at the military facility.

After contacting several agencies for assistance, he was referred to us by Senators Lugar and Quayle's office. His problem was that he needed color chips of two colors required by his contract and he was running out of time to complete the work. He provided us with the Federal Specification for colors and we were able to provide information on how to obtain the specification. We were also able to provide information on how to obtain the specification. More importantly, we were able to provide the exact color chip needed by contacting the Small Business Utilization Specialist at the installation who in turn contacted their engineers who provided the chip to the manufacturer. As a result, he was able to complete his contract in time and using information provided by us has ordered the enter set of color chips for future reference.

Example 4-Tool Distributor Needing NSN's

A tool distributing company well versed in federal marketing, and even on Federal Supply Schedules for many hand tools, was experiencing difficulty finding National Stock Numbers (NSN's) on part numbers for the hand tools they carried. During our initial interview, we explained several of the services we could provide, including access to all current NSN's in the government inventory through the Technical Logistics Reference Network (TLRN) of which we are a subscriber. Essentially what we offered was the ability to provide the NSN's on the part numbers they knew of and determine from the Federal Supply Class for hand tools, all the catagories the company would be interested in, and provide those NSN's to them. The company is currently doing $1.5 million in contracts with the federal government. With the information we are providing, the company projects that its sales will double over the next year.

Example 5-Orthepedic and Dental Instrument Manufacturer

On our initial visit to an Orthepedic and Dental Instrument Manufacturer, it was determined that the company had gone into partnership with an out-of-state partner who had suggested entering the federal market as a means of expanding the company. Unfortunately, they lacked the knowledge to accomplish their goal of getting on the Fedral Supply Schedule. At the time of our visit, General Services Administation (GSA) had returned their paperwork eight times for various discrepancies. Our first priority was to provide assistance in getting the correct information submitted to GSA and introduce them to the potential market with the Veteran's Administration. Another problem that they had encountered was getting complete drawings to manufacturer an item to government specifications. One drawing in particulr was so incomplete that the prototype developed from it was completely unacceptable. The availability of complete drawings/specifications provided in a timely manner is an ongoing problem for small business firms attempting to do business with the government.

Example 6-Rainwear Manufacturer

Four months ago, a rainwear manufacturer approched our office seeking assistance in vying for federal contracts. As one of the four manufacturers in the U.S. to produce such items, and with the potential the federal market would provide to their business, it was expected that their work force would increase substantially. This workforce increase would provide a very real impact on this small southern Indiana city.

To assist the firm, our office provided contacts at Defense Personnel Support Center (DPSC) which resulted in their receiving a solicitation. At this time, they are awaiting word of a possible $2.9 million contract which would require hiring an additional 40 employees. Information provided to the firm regarding quality control procedures at DPSC has played an important part in their potential contract award.

Example 7-Breakout Items

The possiblity of the high cost of sole-source or proprietory items has been a concern of several government and "watch-dog" agencies recently. The Small Business Administration (SBA), in an effort to assist in this effort, has put several Breakout Procurement Center Representatives (BPCR) in place in many of the large procurement centers. Their job is to look at pending procurement actions and "breakout" as many items as possible for competitive bidding. This should not only improve small business opportunities, but also reduce cost and provide a larger base for replacement parts.

Our office recently received a request from the BPCR at the U.S. Army Tank and Automotive Command (TACOM) to query our clients in the state of Indiana and offer them the opportunity to submit bids on the breakout items. The TACOM BPRC had provided drawings on each of the breakout items to us, and we, in turn, provided them to several firms for their review and possible request to receive an Invitation To Bid from TACOM. As a result, six firms have expressed a desire to be considered and are currently awaiting the bid package from TACOM.

Example 8-Reentering The Federal Market

A small business in central Indiana came to us after experiencing a disastrous contract for fabrication of mobil units where they were to fit out vehicles for hearing testing requirements. The units did not meet specifications as interpreted by local Defense Contract Administration Services Management Area (DCASMA) inspectors although the contractor maintained their performance was in accordance with the specifications as they interpreted them. The contract was never resolved to everyones satisfaction resulting in the company losing money.

Earlier advice from us suggested to the company that to stay in the federal market, they should bid and win contracts not requiring local pre-award due to their record. When they returned last week, they had completed three contracts outside the DCASMA cognizance very satisfatorily, and asked for help with a strategy to reenter the market where local pre-award and surveilance would be required. Together, we developed such a strategy, including reestablishing contact with the local DCASMA office indicating their recent track record; discussing improvements in the companies management, such as hiring a new production manager, etc.; joining the National Contract Management Association (NCMA) to develop less formal relationships with DCASMA people, who are also members of NCMA; establish with the state loan guarantee organization, approval for working capital which had been part of the previous problems; and other suttle moves which will once again make them an acceptable and viable vendor for larger contracts with the Federal Government.

Example 9-Ongoing Contract Problems

A previously viable and sound southern Indiana manufacturer of ammunition cans and pallets that has been a Department of Defense contractor for years, and did not think that they needed help in their relationship with the Government, came to us with a series of small problems which collectively was about to put them out of business. Their bank was balking at turning over short term dept for working capital and were attaching all program payments. Their payroll was in jeopardy.

One recurring container contract, where they finally raised the price per unit, triggered an audit which was being handled in a regular, but slow manner, had stopped production in that area. Another contract for pallets, which they had produced before, developed some quality assurance questions and was holding up production. A third contract for flair containers had not passed pre-award, even though the prime contractor had authorized production, and over 30,000 containers were sitting on the loading dock as the company could not ship.

Although all problems have not been resolved this point, through a series of phone calls, we were able to get the bank to loosen up working capitol, get the audit broken loose, and the pre-award now looks good for resolution.

STATE OF INDIANA
FEDERAL MARKETING ASSISTANCE PROGRAM

a. Introduction

Indiana has been in the military market for many years and has a proven record of being a good provider of hardware and services to aid in national defense through the war years and sustaining that support in peacetime. Most of the support, however, has been provided by a small number of large manufacturers. The trackable Department of Defense (DOD) dollars for prime contracts, as a matter of fact, from 1980 to 1984, have increased from $1.7 billion to $2.5 billion. However, the percentage of total DOD dollars awarded to Indiana through contracts has decreased from 2% to 1.7% for the same period. It is also revealing that the top five contractors in the state for that period have received 70% of the total with 600 to 800 smaller contractors sharing the rest of the contract dollars. There is no doubt that those dollars will continue to flow to Indiana, but the total part of the market awarded, has placed Indiana in a range from 14th to 16th during the past three years among our competitor states. Considering that Indiana is the ninth largest industrial state and the ninth largest agricultural state, the objective of our program is to fill the gap and allow the state to take its rightful place among the other states. To do that, doubling defense dollars through contracting is necessary. That is a large challenge, but one the state government wants to tackle. Since this state is made up of 99.7% small businesses, the state is looking to them to improve these statistics.

Although our large corporations are very capable of selling to the Defense Department, it's a far different thing for small or medium sized businesses since they must develop an understanding of the market before they start. The small business in Indiana is typically owned, managed and operated by one or two people; the same people who hire, fire, oil the machines, and sweep the floor at night. In addition to all that, these same people must do the selling of their products or services to their customers. To develop new customers or markets is a complicated, time consuming chore. The capabilities of these businesses are generally outstanding and their competitiveness, mainly because of their size, is great.

The purpose of this program is to create a full service resource center as close as possible to these firms to include networking with the other available resources in the state to make it easier for the firms to enter, understand and participate in a new or expanded market for their existing products and capabilities. In some specific cases, they are shown where they can expand those capabilities to cover new markets easily.

The DOD market is the biggest single market in the world, and it is sitting in our businesses' back yard, so to speak. However, to say it is a single market is misleading. It is a complex system of many markets covering the full spectrum of requirements for products and services. The program's purpose is to walk a company through the steps of doing business with the DOD, help them determine if they should be in the market, identify their market, provide help in their marketing effort, and support them in the bidding process and delivering under contracts they win.

Historically, this kind of service has been available from two main sources; from private consulting services and from the federal government itself. Private consultants cater to large business and are generally too costly for a firm just thinking about getting started. The government, although free, is limited in continuing overall assistance since each agency or command could only advise in its own particular area. This program creates a service to those small and medium sized firms by providing the broad scope of the federal market as a whole, customized for the individual business or manufacturing client.

The existing resources in this state are tremendous. The quality and quantity of professional people knowledgeable in the federal procurement field in the region are astounding. However, some of these are people not normally in a position to be available to the small or medium size business or their availability is not widely known. In the majority of cases, the two parties are not being brought together. One of the prime objectives of this program is to provide a conduit to properly utilize the available expertise in the state. A concentrated effort has been undertaken to bring to the interested businesses in the state the services of DOD Small and Disadvantaged Business Utilization Specialists and other professionals in local DOD activities as well as the Procurement Center Representatives, the people in the Small Business Administration and their SCORE/ACT activities, the State Department of Commerce, the new Small Business Development Centers, Job Development and Training Organizations and professionals in the major prime contractor plants. Through a networking effort, the program is making those knowledgeable people available to business firms when and where they need them either one on one, through seminars, symposiums or other methods as the needs arise.

The program is also directed at helping local libraries throughout the state develop support for the Federal Procurement effort by encouraging them to have in place and available federal specifications and standards, commercial standards, supporting materials and equipment such as reader/printers for aperture cards, microfilm and microfiche.

The philosophy of this program is to provide introductory and orientation services to the largest number of firms possible with intensive specific marketing and technical help to those with the capability, desire and drive to create and excel in the government market. The objective is to make the program's clients self-supporting and self-productive in the market as soon as possible, yet continuing support services to the newly created, as well as all current firms in the government market.

b. Objectives

The purpose of the Federal Marketing Assistance Program is to create a network of resource centers in partnership with federal, state, and local governments, and other economic development agencies to help Indiana firms become more successful in marketing to the federal government. It has been determined that the greatest deterrent for a small or medium sized business to do business with the federal government is the cost of investing in the required training, information and equipment just to determine if they have a marketable product or service that can be competitive. Thus, this program was created to develop and deliver special resources designed to help firms in Indiana ascertain if they have a viable market with the Government and then to become successful in that market.

The objectives of the program are:

To provide professional marketing and technical assistance to businesses selling goods and services to the Department of Defense, other federal agencies, and prime government contractors as well as to state and local governments.

To enhance the business climate and economic development in the state and its commumunites by helping businesses create new, larger, or diversified markets.

To reduce the unemployment level in labor surplus areas by generating retention, rehire, and new employment opportunities by increasing the work received by Indiana business and industry through contracting with government entities.

To increase competition for the Department of Defense as well as other government agencies at all levels, thus improving the products purchased and reducing the prices paid by the taxpayers in supporting their governments.

To expand the Department of Defense industrial base by making available additional knowledgeable, capable and viable contractors to fulfill its needs.

To thus reduce the cost to the Department of Defense in maintaining a sound National Defense and the security of our country.

c. Organizational Structure

The program is operated by a Division within the Indiana Department of Commerce. The Director of the program reports to the Director of the Division of Business Expansion who reports to the Deputy Executive Director of the Department of Commerce.

The division responsible for organizing, directing, coordinating training and executing this program is the Division of Federal Marketing Development. The person appointed to head the organization is the Director of Federal Marketing Development. The state central office will be located in the Indiana Department of Commerce at Indianapolis.

This program is designed to place the services as close to the users or clients as possible, concentrating on the heaviest industrial areas which also tend to be the largest areas of unemployment. At the same time, the program centralizes those activities with a time or cost factor which can be consolidated for economy and efficiency of delivery.

This concept has a three-tiered organization, centralizing the organization's leadership, initial professional expertise, and training capabilities in the State Department of Commerce in Indianapolis. A repository of reference materials and communications resources will also be centralized there. See Program Division Organizational Chart (Exhibit A).

The second tier of organization will have active field offices providing professional marketing and procurement technical assistance services in Hammond, Fort Wayne, and Indianapolis. In addition, Evansville and Muncie will be started soon. See map of the area with location of offices (Exhibit B).

The third tier of organization utilizes a cadre of trained people among the 17 Service Delivery Area (SDA) offices of the Indiana Office of Occupational Development located strategically throughout the geographical area. These persons provide the many local services needed to recruit, orientate and register clients and act as liaison between them and the field offices when more detailed technical services are required. They arrange field representative visits to clients in cooperation with the field offices.

To assist this organization, a State Federal Marketing Advisory Council has been designated by the Lt. Governor. The membership is drawn from the state's major prime contractors, successful small and disadvantaged business contractors, educational leaders and from the extensive resources provided by local federal agencies' leadership knowledgeable in federal procurement. The Council oversees the entire federal marketing efforts of the state program, making suggestions on ways to improve the organization and services provided and to act as a conduit in dissemminating information to the government and business entities throughout the geographical area. See a listing of council members at exhibit C.

The Division of Federal Marketing Development consists of the Director and Assistant Director. The personnel in this office and their responsibilities are as follows:

The Division Director, reporting to the Director of Business Expansion is responsible for overall coordination and direction of the statewide program having full management authority within the limits of the state government organization. In addition, the Director coordinates state and local fund solicitation, advertising and public relations on a statewide and local basis, assist in training and educational programs, provide overall management of the field offices, coordinate the Indiana Office of Occupational Development/Job Training Partnership Act (IOOD/JTPA) efforts and act as a field representative in the Indiana office working with clients.

The Assistant Division Director will be responsible to the Director for the statewide training coordination of all staff personnel, plan and execute the education program for clients, manage the Indiana field office, which is co-located with the central office in Indianapolis, act as the newsletter editor and perform as a field representative in the Indiana office working with clients.

The field offices will consist of Federal Marketing Field Specialists and secretaries whose responsibilities will be a follows:

Federal Marketing Field Representative/Office Manager, reporting to the Director will manage the field offices, recruit clients, make plant visits, conduct orientation and counseling of clients, make reports to the state office, become proficient in providing a variety of federal marketing and technical assistance instruction and information functions. They refer appropriate problems to the state director and will be responsible for relaying informational requirements to the state office.

Federal Marketing Field Representatives have the same responsibilities of Field Representative/Office Manager except management responsibilities and report to an office manager.

One secretary in each field office provides clerical support to all other personnel in the office. This person will answer phones, act as receptionist for the office, refer clients and other callers to the proper staff person, be proficient in answering simple marketing and technical questions, have a knowledge of the statewide system and prepare copies of specifications, standards and other reference material when required.

The field office in Ft. Wayne is operated under contract with Indiana Northeast Development as a contract consultant. They have the same reporting requirements as the other three field offices, and receive the same services from the state office.

Federal Marketing Liaison Representatives are designated and appointed for this work from within the existing organizations of the JTPA/SDA offices of those choosing to participate in the statewide program. The JTPA/SDA offices are operated by the Private Industry Councils in the 17 PIC areas in Indiana. The Liaison Representatives have received concentrated initial training in the Federal Marketing Program from the state office as well as continuing maintenance training conducted on a regular basis. They are proficient in the different aspects of the Federal Marketing and Technical Assistance Program, and act as recruiters in their areas for business clients who wish to explore the federal market. They are qualified to provide initial orientation of the program and the federal market, help a business determine its capabilities in the federal market, help the firm become a registered client of the program and arrange further meetings with field representatives or other staff and act as liaison between the clients and the nearest field office to provide client services.

d. Personnel

The qualifications of the professional personnel already determined for the staff are hereafter listed along with the qualification standards of those positions to be filled in the future.

Program Director A. David Schaaf, Jr., Commander (Supply Corps) U.S. Navy (Retired) was a contract consultant to the State of Indiana in the position of Federal Marketing Consultant before becoming Director. He held the position for four years.

Previous to his consultant contract, Mr. Schaaf spent 22 years as a Navy Supply Corp officer during which time he held assignments in all phases of DOD procurement and contract administration, culminating during his final tour of duty as the Commander, Defense Contract Administration Management Area, Indianapolis. He was Director of Contract Administration prior to command. He holds a Bachelors degree in Business Administration from Indiana University and has studied at George Washington and Northeastern University in both the graduate and undergraduate schools through the years. He has completed numerous Navy and Defense Department schools and seminars and continued his study of federal procurement while serving in his present position.

Assistant Program Director Mrs. Betty McWilliams has been in the federal procurement field for years. As an employee of the Private Industry Council of Hammond, she designed, developed and implemented the Procurement Outreach Center for that entity. As President of Partners in Contracting Corp., she has professionally trained groups on federal procurement outreach. Her last position required the versatility of approaching funding sources, attending federal seminars, public relation work through radio and the news media, serving on and speaking to various local committees as well as meeting with federal buying activities to market Northwest Indiana firms. She is also qualified in accounting functions and has been a professional accountant for twelve years. Her managerial and financial management abilities have been proven by her successful operation of an ongoing corporation.

With the above personnel, the federal marketing program was established using internal resources for the development and execution of all staff training and client education programs. Those training and education programs include calling on the wealth of professional expertise in the federal commercial and educational communities of the state for continuous participation.

In selecting Federal Marketing Field Representatives, we have required a mix of backgrounds with each having at least some of the following qualifications, either from formal education or previous experience:

1. Degree in marketng, industrial relations, engineering (most specialities considered), or other business disciplines.
2. Manufacturing or industrial background at the management level.
3. Knowledge of the local busines comunity.
4. Familiarity with the federal procurement process or a portion of that process such as production, quality assurance, contract administration, buying, contract law, stock control, transportation, packing, packaging, and small business specialist.
5. Knowledge or experience as a small business owner or manager.
6. Marketing or selling background.
7. Military service for general knowledge of the market requirements.

In addition to the education or background discussed above, the Field Representatives have the following abilities:

1. to work effectively with people, make public contacts
2. to developcontacts witht the federal government
3. to collect and analyze data and make recommendations based on logical analysis

4. to have good oral and written communication skills
5. to identify, research and solve problems
6. to have good organizational skills
7. to interpret and explain legalistic governmental clauses
8. to develop and maintain linkages with the private sector
9. to maintain attentin to detail.

The Field Representatives who are placed in the office management positions must have had office management experience in addition to the above.

The skills for the secretaries require ability above the normal because they receive much of the training of the other staff personnel and are required to "speak the language" and understand the questions asked of them by clients in their normal course of operation.

The Federal Procurement Liaison Representatives in the IOCD/SDA offices have been chosen from available staff in those offices choosing to participate. The Directors of the offices were briefed in the kinds of people needed. The selection criteria was the same as discussed above. The selection was subject to final approval through negotiation, and after interview with the program director.

e. Marketing Tools

As important as any part of the program, is the availability of the reference material and information required in the business, not only for clients new to the federal market, but to those businesses active in the market who do not have available, in-house, all of the specifications and requirements they need to successfully bid contracts.

Each of the field offices have the basic reference material consisting of the Commerce Business Daily, Federal Acquisition Regulations with the DOD supplement as well as other major agencies supplements, commodity listings and other pertinent materials from buying activities, and the military and federal specifications and standards library on microfiche or film with equipment to read and print it. The "Selling To" publications from DOD, DLA, GSA, federal government, etc. and the numerous other publications and informational materials available from the government.

The program developed a mailing list of 400 DOD buying activities and 200 federal civilian agencies which have commodity lists which they make available to potential bidders. In addition, many of the major prime contractors have similar information which is collected by the central office for distribution to the field.

Also available for the reference libraries are Indiana state and local information for those firms wishing to look at those markets. Master solicitations for small and large purchases from the major federal buying activities are on file and updated for use by clients. Basic specifications and standards will be in inventory in hard copy as requirements are determined. Reproduction equipment is available in the central office and in the field as requirements and funds allow.

Where information or equipment are not economically available within the program, a network of other sources are being set up for use by clients. The program calls for close coordination with the community libraries throughout the geographical area to develop and/or make available to our clients reproduction equipment and the vast amount of reference material they normally can obtain either at no charge or for reasonable fees especially for libraries designated as federal depositories. Examples of particular library services include:

1. Commerce Business Daily
2. CCH Government Contract Service
3. DLA Microfiche Reference Library
4. American Society for Testing Materials (ASTM)
5. American National Standards Institute (ANSI) standard catalog (at a minimum with resources for fast turn-around service.)
6. GPO Index for Federal Specifications and standards, especially some sections common to many requirements such as GS 2.8 which covers all GSA and U.S. Post Office standards.

All field offices have the forms needed by new firms such as the Standard Form 129, DD 558-1, Standard Form 254 and 255 and PASS applications.

The program is developing and will have available an easy-to-read brochure with loose-leaf pages discussing particular segments of information which can be customized to a particular client to simplify their reference material, providing only what they need to know in order to make their start-up less confusing and as simplified as possible.

To facilitate assisting client firms interested in marketing their products to the federal government, the central office has subscribed to the Technical Logistics Reference Network (TLRN). As one of the first nongovernment entities to subscribe to the service, it has been a valuable asset in federal markteting. Essentially, the TLRN is an on-line data base of Federal Supply Catalog information accessible by National Stock Number (NSN), manufacturer's part number, military specification, or standard technical charateristics. The data base is cross-related to a variety of logistical support files which provides sufficiently detailed information to a client so that they may determine their ability to produce the item. They then may take any number of actions, including their first attempt to enter the federal marketing arena. The TLRN has been found to be an invaluable asset and client firms now believe the program does provide the kind of information they have previously spent a great deal of time researching.

Provided as an in-kind service to the program is full use of the Indiana Department of Commerce minicomputer. This computer can be used by the central office and the field offices on a regular basis as a data and information link in the future. Initial use of the computer includes client data, program accounting, performance reporting, mailing lists, and word processing at the central office. It is anticipated that search and matching of firm capabilities and buying activity requirements, client match for particular solicitations and other more sophisticated applications will be developed. Further consideration may well determine that utilization of some electronic data basis such as "CBD on line" synopsizing or abstracting services may be viable prospects for addition to the system.

f. Fees and Charges

This program has no fees or charges to clients served. The basic purpose of the program is to make available services to small and medium sized businesses that can ill afford to pay to determine their government market capability. Experience has shown in some other programs that the administrative costs of accounting for fees and charges are as much as is charged.

The possible need to initiate charges for reproduction of standards or specifications and other materials may be considered in the future, not to defray costs but to help control clients taking advantage of the service when normal ordering from the government could meet their requirements.

g. Market Area

This program is developing an organization which can provide services to businesses and manufacturers throughout the State of Indiana representing a work force in February 1985 of 2,629,600 people. Indiana is primarily an automobile industry state and was second hardest hit during the most recent recession. Total average unemployment in 1983 was 11.1% and reduced to 8.6% during the continued recovery of 1984. History has shown that Indiana unemployment is directly related to the ebb and flow of the fluctuating automobile industry and one answer to this problem is to work with the state's business and industrial community to help them diversify their markets and products away from the automobile industry. One way to accomplish that is to encourage the development of the biggest single, most stable market, and one relatively close geographically to the state's manufacturers and businesses—the Department of Defense. Additionally, one advantage of the DOD market is the fact that this customer provides employers located in labor surplus areas with a preference in bidding on its contracts. In the market area of this program, 45 of the state's 92 counties are designated Labor Surplus Areas as well as six of the largest cities in the state.

In the latest information available, Indiana has a total of 98,936 businesses listed with a Standard Industrial Code (SIC). Of that total, 99.7% have less than 500 employees, while only 287 businesses are larger than 500 employees. Of the total, 7,487 firms are in manufacturing (SIC 20 through 39). (See Exhibit E for a breakdown.) Of those, only 188 or 2.5% are listed as having 500 or more employees.

According to the latest date found, Indiana had a total of 4,967 firms which were minority-owned. Of those, 1,110 had paid employees of which about 40% were in the retail trade. The same data indicated there were 17,356 woman-owned firms, 5,819 with paid employees of which about 50% were engaged in a retail trade.

From those firms representing other than manufacturing (SIC 20-39), there are large segments not considered good prospects for government sales. The projections of potential clients for this program exclude all retail SIC's except 55 auto dealers and services stations. Other SIC's excluded are: SIC 09 fishing, hunting and trapping, 48 communications, 49 electric, gas, and sanitary services, 60 banking, 61 credit agencies, 62 commodity brokers, 64 insurance agencies, 67 investment offices, 76 misc. repair services, 79 amusement and recreation services, 80 health services, 81 legal services, 83 social services, 84 museums and 85 membership organizations. Most other SIC designations have at least some potential to sell products or services to some segment of the federal government market, whether appropriated or non-appropriated fund buyers.

After the deletions discussed above, there remain 42,305 non-manufacturing firms. When manufacturing firms are added, the total universe is 49,792 firms with some potential capability to sell to the federal government. Of those non-manufacturing firms considered in the universe, only 42 or .1% have more than 500 employees. (See Exhibit E)

h. Goals

The goals set to accomplish the objectives of this program have been designed in the traditional way. The goals are actions needed to accomplish set objectives as described previously, and must be able to be reduced to numbers which will show a measure of accomplishment, or lack thereof within a timeframe. To accomplish the program's objectives six primary goals have been established with 36 sub-goals, as outlined in the goals chart (Exhibit F).

The primary goal will be to obtain $7,500,000 in new government prime contracts and sub-contracts for Indiana business in the program year. To accomplish this, the other five primary goals directly or indirectly support attainment of this goal.

The second goal is to develop, within six months, four fully operational Federal Marketing Field Offices and ten liaison offices within the Private Industry Council's Service Delivery Area offices.

The third goal is to recruit, register, and train 600 business and manufacturing clients in the program year and provide supporting services in their attainment of federal government contracts and delivering under those contracts.

The fourth goal is to market the proposed Federal Marketing Program to 2,000 new businesses and industries in the first year.

The fifth goal is to provide marketing assistance, both active and passive, to create efforts on the part of clients to produce 6,650 marketing actions.

The sixth goal is for the program to provide at least 5,812 separate service actions to its clients during the first year of operation.

i. Budget

The following is a breakdown of the Program budget for the first year of operation:

FEDERAL MARKETING PROGRAM BUDGET
1985-1986 Fiscal Year
(Breakdown by Office)

	2 Rep Office	1 Rep Office	Indiana (Balance of State)	Total by cost Category
1. Personnel	51,750	29,583	112,673	194,006
2. Fringe Benefits	13,455	7,692	29,294	50,441
3. Travel	8,584	2,952	14,905	26,441
4. Equipment	10,400	2,500	8,375	21,275
5. Supplies	4,800	6,460	10,900	22,160
6. Contractural			25,000	25,000
8. Other:				
Rent	5,136	5,000	9,375	
Utilities	1,000	1,000		
Phones	6,184	4,300	6,940	
Cleaning	1,144	1,300		
Printing	500	500	4,000	
Xerox	1,500	1,500	2,500	
Postage	1,500	1,500	6,760	
Seminars	500	500	1,000	
Misc. Sevices	2,300		7,444	
Computer Services			20,000	
Computer Programming	3,600		6,906	
	23,364	15,600	64,925	103,889
9. Total Direct Charges	112,353	64,787	266,072	443,212

The Budget by funding source includes the following breakdown:

DOD share (cash reimbursement)	$150,000	$150,000
State of Indiana share		
cash	150,000	
In-kind	21,150	171,150
Local government/other		
cash	94,901	
In-kind	27,161	122,062
	$443,212	$443,212

The total program leveraged by the DOD grant of $150,000 includes the following:

Program above	$443,212
JTPA (other federal funds)	50,000
Ft. Wayne Local Contributions	90,000
Total program	$583,212

j. Services Provided

The program is flexible enough to allow incorporation of additional services as might be determined from initial experience in working with clients; as recommended by the State Procurement Advisory Council or its working subcommittees; or as might be suggested by the DCASR Administrator or from DLA review of the cooperative agreement reports.

The emphasis of this program is on developing the Department of Defense market for clients. That is where, by far, the largest potential contracting dollars originate and should receive first priority. However, when the businesses and manufacturers interested in diversifying are recruited and educated in that quest, it is logical that the services include opportunities from other federal agencies, from subcontracting to prime contractors, and from state and local governments. Where we discuss services herein, services include consideration of all federal agencies, the State of Indiana buying activities and some selected local city government requirements.

Services provided to clients under the federal marketing program:

1. Provide initial oritentation including understanding the firm's capabilities and interests providing overview of the government market; how the firm might fit in
2. Develop Federal market strategies
3. Provide literature and instructions when useful
4. Provide customized materials prepared by the center program
5. Perform plant visits to better understand client's capabilities
6. Identify item managers in the federal procurement system
7. Identify buying activities to be approached
8. Identify subcontracting opportunities with prime contractors
9. Provide instruction and help in properly preparing the SF 129 and related bidders list applications
10. Provide instruction and help in preparing SBA'a PASS applications
11. Provide instruction on utilizing the Commerce Business Daily to its fullest extent
12. Provide training in sales and marketing techniques and approaches to buying activities of the federal government
13. Help to develop marketing tools to be used in selling to the government

14. Discuss bonding requirements and instruction on obtaining bonds
15. Discuss quality control requirements where applicable and instruct in meeting requirements
16. Discuss DIOR reports and other statistical information pertinent to projected purchases
17. Instruct in market and sales research, five year projections, etc.
18. Instruction in searching for bidding opportunities
19. Provide bid packages when opportunities are available
20. Help obtain specifications and standards from government when they can be identified in advance
21. Provide translation of NSN to and from part numbers
22. Assist in preparing bid packages
23. Provide specifications and standards in emergencies
24. Arrange for obtaining reference material not available at centers
25. Discuss pricing policies, procedures
26. Assist in obtaining bid history
27. Instruct and discuss production and manufacturing requirements
28. Instruct in financing problem solving; directing client to best sources for additional information for loans and loan guarantees for working capital and equipment
29. Discuss meaning of government clauses
30. Provide reference material such as master solicitations, Federal Acquisition Regulations, DOD Supplement references, etc.
31. Instruct in preparation for preaward visits
32. Instruction and assistance in requesting and preparing for a post award conference for best use
33. Instruct in packaging, packing and shipping requirements and where to subcontract
34. Instruct in marking and bar coding requirements and where to subcontract
35. Provide transportation information

36. Discuss contract administration process and how to use it to advantage

37. Provide for technical seminars for selected clients

38. Provide for informational seminars for all clients

39. Provide for field trips to buying activities

40. Provide for procurement activities buying trips to Indiana

41. Provide for prime contractor buying trips to Indiana

42. Develop catalog of specific and general goods and services available from clients for buying activities and prime contractors

43. Arrange marketing meetings between clients and buyers when client is not successful

44. Provide personal contact on behalf of clients when necessary

45. Create a "sponsorship" program to utilize experienced government contractors to help firms interested in developing the federal market

Services provided to the DOD and other federal agencies, state and local governments, and prime contractors, as a result of this program, will first and foremost provide new potential contractors, knowledgeable in the market and prepared to make competitive, responsible and responsive bids and provide their products and services on time, at a fair price that meet specifications. It is anticipated that in addition to increasing the number of knowledgeable and qualified firms in the market, this program will have many other advantages to the federal government procurement activities including, but not limited to the following examples:

a) Matching government needs with new Indiana resources

b) Direct firms to the proper procurement activities reducing government employee workload

c) Deflect and/or reduce novice questions normally requiring time of government employees

d) Decrease the number of initial inquiries now handled by the government activities

e) Provide some "bid room" functions centrally for state and regional government activities

f) Create greater local competition for government procurement activities located in and around Indiana

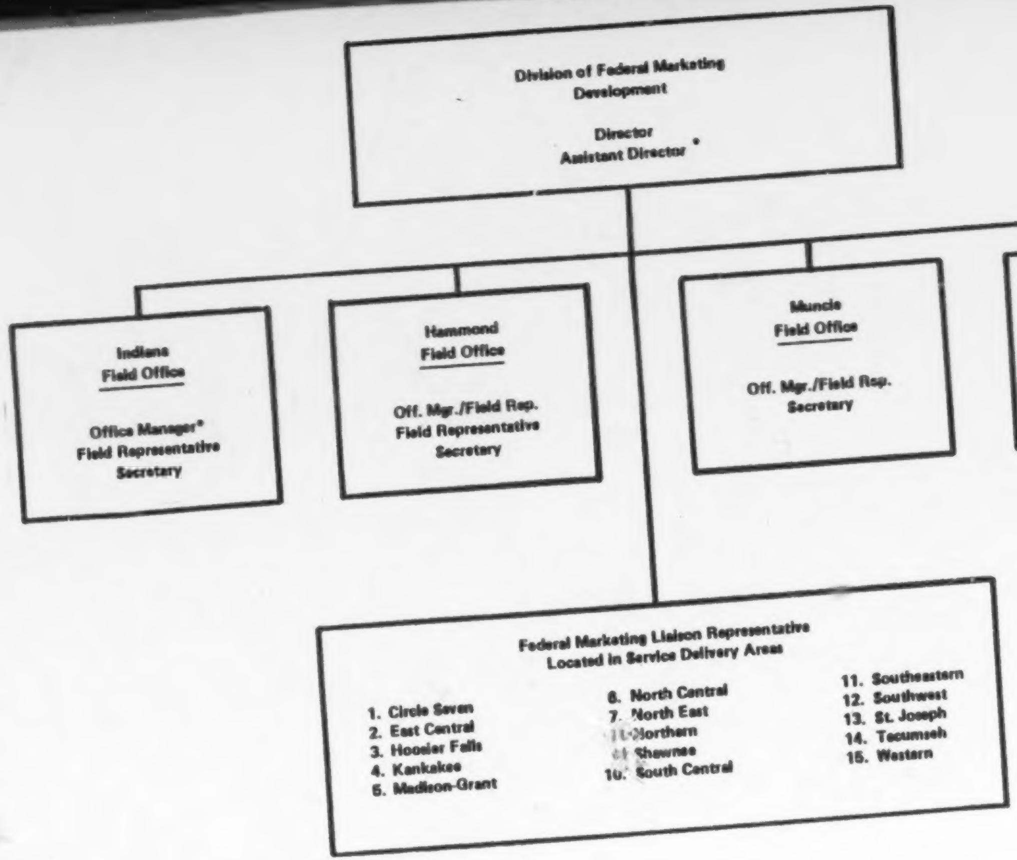
g) Provide "broker" type services to local and regional procurement activities where they have difficulty in obtaining competition or even sources of supply

h) Provide screened contractor contacts to government buyers in the marketing effort, thus saving buyers' time

i) Provide liaison services between buyer and sellers to save both time

j) Create and provide catalog of qualified small and small disadvantaged contractors to federal procurement agencies

EXHIBIT A


Division of Federal Marketing Development
Director
Assistant Director *
Indiana Field Office
Office Manager*
Field Representative
Secretary
Hammond Field Office
Off. Mgr./Field Rep.
Field Representative
Secretary
Muncie Field Office
Off. Mgr./Field Rep.
Secretary
Ft. Wayne Field Office
Contractor Operated
Federal Marketing Liaison Representative
Located in Service Delivery Areas
1. Circle Seven
2. East Central
3. Hoosier Falls
4. Kankakee
5. Madison-Grant
6. North Central
7. North East
8. Northern
9. Shawnee
10. South Central
11. Southeastern
12. Southwest
13. St. Joseph
14. Tecumseh
15. Western

*Assistant Director is Office Manager for Indiana Field Office

EXHIBIT B

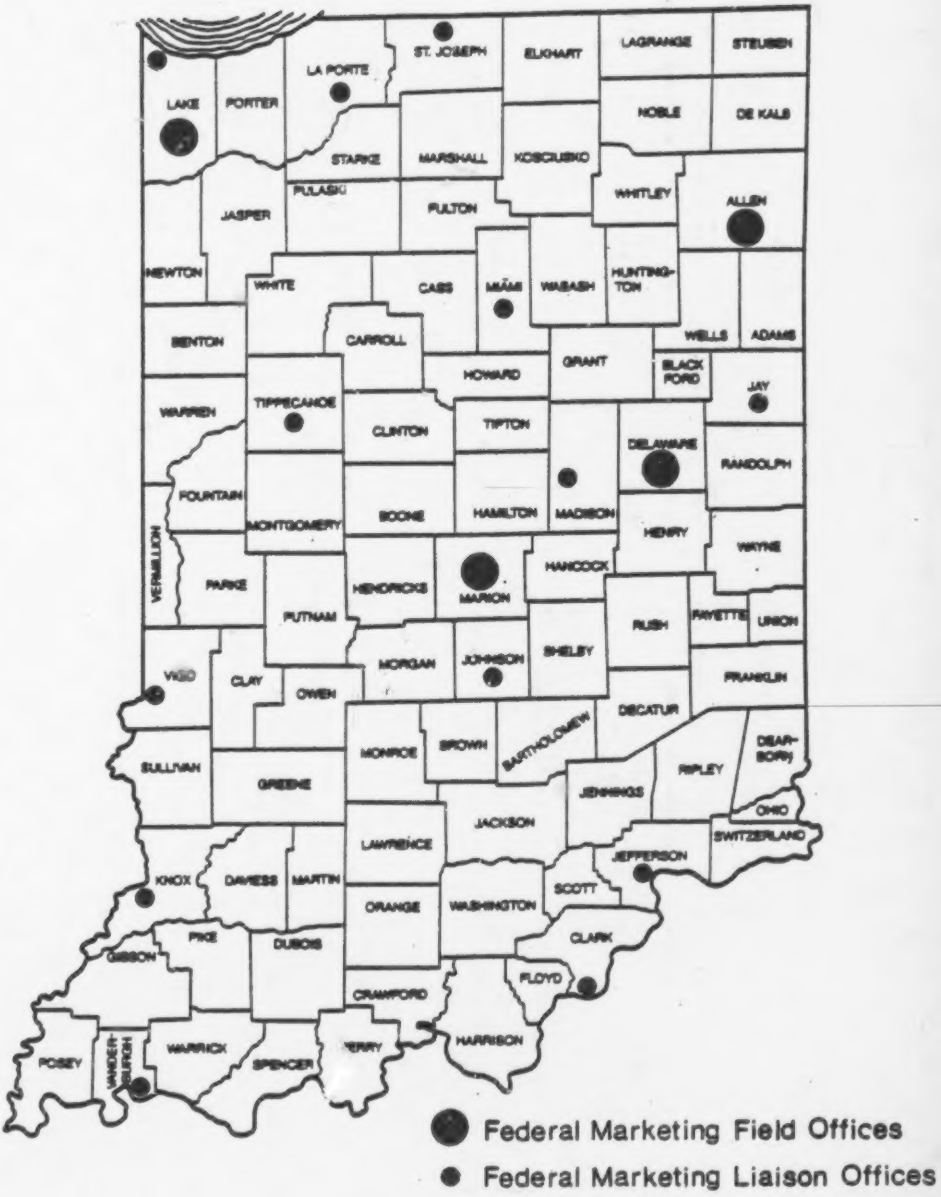

LAKE
PORTER
LA PORTE
ST. JOSEPH
ELKHART
LAGRANGE
STEUBEN
NOBLE
DE KALB
STARKE
MARSHALL
KOSCIUSKO
WHITLEY
ALLEN
JASPER
PULASKI
FULTON
NEWTON
WHITE
CASS
MIAMI
WABASH
HUNTINGTON
WELLS
ADAMS
BENTON
CARROLL
HOWARD
GRANT
BLACKFORD
JAY
WARREN
TIPPECANOE
CLINTON
TIPTON
DELAWARE
RANDOLPH
FOUNTAIN
MONTGOMERY
BOONE
HAMILTON
MADISON
HENRY
WAYNE
VERMILLION
PARKE
HENDRICKS
MARION
HANCOCK
PUTNAM
RUSH
FAYETTE
UNION
VIGO
CLAY
OWEN
MORGAN
JOHNSON
SHELBY
FRANKLIN
DECATUR
SULLIVAN
GREENE
MONROE
BROWN
BARTHOLOMEW
RIPLEY
DEARBORN
JENNINGS
OHIO
JACKSON
SWITZERLAND
LAWRENCE
JEFFERSON
KNOX
DAVIESS
MARTIN
ORANGE
WASHINGTON
SCOTT
CLARK
GIBSON
PIKE
DUBOIS
FLOYD
CRAWFORD
POSEY
VANDERBURGH
WARRICK
SPENCER
PERRY
HARRISON
● Federal Marketing Field Offices
● Federal Marketing Liaison Offices

EXHIBIT C

FEDERAL MARKETING ADVISORY COUNCIL

The following are members of the Federal Marketing Advisory Council:

Lt. Governor John M. Mutz, Chairman
Director, Indiana Department of Commerce

Colonel Paul R. Higgins, USA
Commander, DCASMA Indianapolis

Colonel Howard L. Kravetz, USAF
Commander, Grissom Air Force Base

Captain William J. Nelson, USN
Commander, Crane Naval Weapons Support Center

Mr. Robert D. General
District Director, SBA

Mr. Dan Ogden
General Manager, Firestone

Mr. Ernest J. Propp
General Manager, ICI Americas

Ms. June Bennett
Control Systems Engineering

Mr. Noel Hupp
Hupp Associates, Inc.

Mr. Raleigh P. Hall
Inner City Machine

Mr. Ron Breymier
Administrative Assistant, Senator Quayle's Office

Dr. Phillip M. Summers
President, Vincennes University

Mr. Don Miller
Indianapolis City Councilman

Ms. Sonya Margerum
Mayor, West Lafayette, IN

Mr. Thomas McDermott
Mayor, Hammond, IN

Mr. Steve Corona, President
Service Delivery Area Directors Group

EXHIBIT D

INDIANA MANUFACTURING FIRMS

Industry	SIC	Total
Food	20	428
Tobacco	21	1
Textile	22	28
Apparel	23	148
Lumber	24	597
Furniture	25	223
Paper	26	162
Printing	27	972
Chemicals	28	225
Petroleum	29	54
Rubber	30	408
Leather	31	23
Stone	32	432
Primary metals	33	227
Fabricated metals	34	939
Machinery	35	1366
Electrical	36	310
Transportation	37	344
Instruments	38	129
Miscellaneous	39	236
TOTAL		7487

EXHIBIT E

INDIANA NON-MANUFACTURING FIRMS

Industry	SIC	Total
Agriculture Services	07, 08	938
Mining	12, 13, 14	487
Construction	15, 16, 17	8223
Transport	41 - 47	2717
Wholesale	50, 51	8772
Retail	55 only	5323
Financial, Insurance, Real Estate	63, 65, 66	3403
Hotels	70	784
Personal Services	72	3585
Business Services	73	3158
Auto Repair	75	2448
Motion Picture	78	273
Education	82	411
Misc. Services	89	1784
		42305

EXHIBIT F

PROGRAM GOALS

		1 qtr.	2 qtr.	3 qtr.	1 yr.
			(cumulative)		
A.	$7,500,000 in New Contracts and Subcontracts				
1.	Amount of federal government contracts awarded	——	1 M	3 M	7 M
2.	Number of federal government contracts awarded	——	25	75	150
3.	Amount of subcontracts awarded	——	75,000	200,000	500,000
4.	Number of subcontracts awarded	——	15	40	100
5.	Number of bids submitted by clients	25	100	300	600
B.	Develop Four Field Offices and Ten Liaison Offices				
1.	Fully operational field offices	2	4	4	4
2.	Fully operatinal liaison offices	4	10	10	10
C.	Recruit 600 Firms For Program				
1.	Registered business clients total	50	160	350	600
2.	Clients new to the federal market	25	75	150	250
3.	Clients with experience in federal market	25	75	150	250
4.	Clients with significant federal business	——	10	50	100
5.	Clients from small business community	40	140	300	500
6.	Clients from minority community	——	10	25	50
7.	Clients from woman owned community	——	10	25	50
D.	Advertise Program to 2000 firms				
1.	Businesses directly exposed to program availability	250	500	1,200	2,000
2.	Presentations to groups of businesses	5	15	30	50

EXHIBIT F, Continued

3.	Number of newspaper/magazine articles	5	10	15	20
4.	Number of TV appearances	——	1	3	5
5.	Number of brochures distributed	500	1,000	3,000	5,000
6.	Number of letters to businesses	100	300	500	1,000
7.	Number of cold calls to businesses	——	——	50	200

E. Clients Create 6,650 Marketing Actions

1.	Marketing assistance	600	310	3,525	6,650
2.	129's submitted (passive)	200	500	1,500	3,000
3.	PASS applications (passive)	50	100	200	400
4.	Profile system minorities (passive)	——	10	25	50
5.	Number of solicitations received (passive)	100	200	900	1,800
6.	Buyer contacts-letter (active)	200	400	700	1,000
7.	Buyer contacts-visits (active)	50	100	200	400

F. Program Provide 3,812 Service Actions to Clients

1.	Services provided by program	325	975	2,606	5,812
2.	Number of orientations performed	50	150	300	500
3.	Number of follow on counciling contacts	75	200	500	1,000
4.	Number of direct leads provided	100	300	750	2,000
5.	Number of bid packages placed	——	25	150	500
6.	Number of library items provided	100	200	500	1,000
7.	Number of specifications and standards provided	——	100	400	800
8.	Number of seminars sponsored	——	——	6	12

Senator NICKLES. Thank you, and thank you for coming from Indiana. We appreciate it.

Dr. Gordon.

STATEMENT OF STEPHEN B. GORDON, PH.D., MANAGER, RESEARCH SERVICES, BIDNET, ROCKVILLE, MD

Mr. GORDON. Thank you very much for this opportunity to talk about the marketing assistance that BidNet is providing to small business all across the country.

BidNet is an electronic bidding information network based in Rockville, MD, and our services are very simple in concept. We provide companies with timely information through BidNet bulletins, on what Federal agencies, State and local governments, and nonprofit institutions are in the marketplace to buy. The timeliness of the BidNet Bulletin service relative to the simple way the service is presented is a key to the success of our program.

Our company is 2 years old; it was founded in 1984.

There are two categories of BidNet bulletins the Federal bulletins which summarize Federal opportunities, and the State and local opportunity bulletins.

The Federal bulletins essentially repackage in an easier-to-read format the listings that are provided in the Commerce Business Daily [CBD]. The primary advantage, a BidNet Federal bulletin provides to a small business—and, by the way, about 80 percent of our subscribers are small businesses—is that it saves a small firm from having to have someone sit down and plow through the CBD every day. Instead of doing that, a subscriber to the BidNet Federal bulletin service needs only the bulletins he shoud read in order to keep abreast of upcoming Federal purchases of his company's products or services. The bulletin is a summary listing with standardized headings showing him what to look for, but only in his product service category. He doesn't have to wade through a whole bunch of paperwork to find out about viable opportunities.

The State and local bulletins are another important aspect of BidNet's bulletin service. One thing that was mentioned at the beginning of the hearing this morning was how large the Federal marketplace is. The State and local marketplace is probably just a little bit larger. In fact, it may be time and a half again as large as the Federal marketplace, but the obvious problem is that it's so fragmented. Instead of having 1, 2, 3, 4, or 5 buying activities, you have 90,000, 100,000 or more buying activities. The advantage that we offer to at BidNet is that we pull in invitations for bids, requests for proposals, and requests for quotations for smaller purchases—by local governments and State agencies all over the country. So instead of going out to 90,000 different entities and trying to get, and stay on their bidders' lists, a small business can subscribe to BidNet get a good flow of information about the lion's share of the activity that's going on at the State and local level.

In short, the State and local bulletin service offers a clear advantage to small businesses interested in doing business with State and local governments.

Mr. Schaaf was talking about the CBO gap of $10,000 to $25,000. The State and local opportunities often are overlooked in a lot of the talk, and we tend to focus too much just on the Federal level. There is a lot of business for small business at the State and local levels of government.

I would also like to talk briefly about the relationship BidNet has with some 70 minority business development centers across the country because I believe it has some application to what we're talking about here today. Most of these centers' clients are small businesses, and BidNet is working with these centers as if, in effect, the centers are our clients. We provide those centers with bulletins for a much broader range of products and services, of course, and then the centers sort out and go to their local small businesses with what is essential for them to follow up on.

There was quite a bit of interest in the BidNet Bulletin Service when I was at the conference that Mr. Schaaf chaired in Indianapolis earlier this week. I just came from there myself. Representatives of several of the procurement advisory centers [PAC's] that are administered with DOD funding are very interested in working with BidNet in much the same way that the Minority Business Development Centers are now working with us. We would transmit bulletins to the PAC's and the PAC's would sort out the appropriate opportunity for their companies.

Let me go back just a little bit. So far I've just been talking about the bulletin itself. The bulletin is a summary of an upcoming opportunity. The entire Bulletin Service process really takes about 4 days to turn around. We get an invitation for bid or a request for proposals from a jurisdiction or an agency, usually the day after it's issued. If it's not practical for the purchaser to send it to us by first class mail, we usually make arrangements for some type of express service such as Federal Express. On the day that we receive the solicitation document, our analysts prepare a bulletin for it, and the bulletin is sent electronically to the appropriate subscribers that night. It is sitting on the subscriber's desk by the next day. If the company is interested in following up on an opportunity summarized by a bulletin, it then can call us to order a copy of the full bid package. And when they do, we send it to them. At this point as few as 72 hours have passed from the time the bid was announced.

BidNet steps out of the picture after we tell our subscribers about an opportunity. We feel very strongly about not getting involved in the bidding process itself, partially because several of us on staff were in State and local procurement before we came to BidNet. We feel it's our purpose to provide the information. As far as assistance in bid preparation is concerned, it's really up to people like Mr. Schaaf and his center to help companies do that. Assistance in bid preparation is an important role, but we don't see it as our role.

You asked me to address whether BidNet has any direct competition for our services. We have no competitors at this time. There are several local and regional bidding information services; and there are a few companies which are providing what are known as CBD "on-line" services. These on-line services maintain electronic data bases which subscribers can use to identify Federal contracting opportunities. I am aware of at least four of those companies, and I mentioned them in my written testimony. There is, however—to the best of my knowledge—no other nationwide service, which provides information on Federal, State, and local, institutional opportunities.

That concludes my statement, Senator. I'll be happy to answer any questions.

[The prepared statement of Dr. Gordon follows:]

BidNet/An Electronic Bidding Information Service

BidNet

STATEMENT

of

STEPHEN B. GORDON, PH.D.
Manager, Research Services

BIDNET
a company of The Dun & Bradstreet Corporation
Rockville, Maryland

BEFORE

Subcommittee on Government Procurement
Committee on Small Business
UNITED STATES SENATE

Tinker Air Force Base
Oklahoma City, Oklahoma

March 22, 1986

5 Choke Cherry Road, Rockville, MD 20850-4030 (301) 330-7000

Thank you, Mr. Chairman, for this opportunity to describe the marketing assistance provided to small businesses by BidNet. For the record, my name is Stephen B. Gordon, and I am the Manager of Research Services for BidNet, a company of the Dun & Bradstreet Corporation. BidNet was founded in 1984 to provide vendors to governments (and companies and individuals interested in becoming vendors to governments) with timely information about opportunities to do business with federal agencies, and state and local governments.

The concept for BidNet originated with four users of the Commerce Business Daily (CBD). These individuals' original idea was to develop a publication similar to the CBD but announcing state, local, and institutional contract opportunities. The result, modified by two years of preliminary research and two years of operating experience, is an electronic bidding information service assisting purchasers and their suppliers at all levels. Despite the company's rapid growth and its profit-making orientation, BidNet has retained its founders' strongly-held commitment to helping the public procurement process work as efficiently as possible for everyone involved: purchasers and suppliers, users and taxpayers.

During the next few minutes I will describe, in some detail, the BidNet Bulletin Service, the original and primary service of our company; and in the course of doing so, describe how BidNet is working under contract to the U.S. Department of Commerce, through the Bulletin Service, to help minority businesses identify competitive contracting opportunities. I bring up the latter because our efforts in the minority business development area demonstrate clearly the usefulness of timely information on contracting opportunities for vendors who are, in almost all cases, small businesses.

The Bulletin service, as my statement will make clear, is especially helpful to smaller companies with limited resources. This explains, we believe, why a recent sampling of BidNet clients revealed that forty-four percent of the companies who subscribe to the Bulletin Service are officially classified as small businesses; and why eight-six percent of these companies have 500 employees or less. Twenty-two percent of our subscribers have less than 10 employees; and, 62 percent, 100 employees or less.

BidNet Bulletins, the end product of the Bulletin Service, are timely summaries of each of the hundreds of Invitations for Bids, Requests for Proposals, and Requests for Quotations received every day from more than 1,300 agencies, jurisdictions, and institutions throughout the United States. Put into the hands of the appropriate subscribers on the morning after BidNet receives an IFB or RFP, the Bulletins alert vendors to competitive contracting opportunities which otherwise would have been missed, and give those vendors enough information to decide whether a particular opportunity should be pursued. The contracting opportunities cover the range of products and services required by governmental entities, and vary in size and value from very small to very large.

The information that a subscriber obtains by reading a BidNet Bulletin includes:

- what is being bought; in what quantities, by which jurisdiction;
- when bids are due;
- the type of specification that is included in the solicitation (i.e., whether design, performance, or combination design/performance);
- the scheduled delivery date or dates; and
- the using agencies for which the item or items are to be bought.

The Bulletins also pass along such "special notes" as whether vendors must be "pre-qualified"; or, whether the purchase is "set aside" for small, minority, woman-owned, or other types of businesses. A copy of an actual Bulletin is included as Attachment 1.

Should a vendor see something interesting in a Bulletin and decide to pursue a particular purchase or contract opportunity, he or she then can order a copy of the complete solicitation document from BidNet. BidNet sends the subscriber the requested bid or proposal package immediately via an overnight delivery service. The elapsed time from when an IFB, RFP, or RFQ arrives at BidNet, until when a copy of the complete bid package is sitting on the vendor's desk is no more than 72 hours _if_ the subscriber orders the complete bid package the same day as he or she receives the Bulletin. We typically receive solicitation documents the day after they are issued. A flow chart illustrating the major steps in the Bulletin Service process is provided in Attachment 2.

Whether, and how to bid on a particular purchase is left up to the subscriber with no involvement whatsoever by BidNet.

There are a number of reasons why small businesses, in particular, subscribe to the Bulletin Service. These reasons include, at a very general level, a desire to begin or expand sales to governments; and, at a more specific level, needs to:

- find out about more contract opportunities
- maximize the amount of time available for preparing bids or proposals; and,
- make it easier to decide which purchases or contracts to pursue.

An economist or accountant might tell you that BidNet's Bulletin Service enables a small business to avoid or reduce the costs of meeting these needs. A small business subscriber will tell you that the Bulletin service enables his or her company to meet these needs, period.

Mr. David Pratt, the president of a Houston-based manufacturer and installer of vehicle wash systems speaks for many small businesses when he says that:

> The biggest single problem in governmental bidding is determining where the bid opportunities exist. We can't bid if we don't know a bid opportunity exists. That's the principal reason we found [the] BidNet [Bulletin Service to be] a promising and viable opportunity.

Simply put, many large companies subscribe to BidNet because it is a cost-effective means of ensuring that they do not overlook attractive bid opportunities. For small companies, however, BidNet can be a lifeline to the government market; not just a backstop. Many small firms are perfectly capable of bidding on government contract opportunities; winning them; and performing well. What they lack are the human and financial resources to know what is being put out for bid by literally thousands of public purchasing activities throughout the United States. As BidNet Vice President, Carla Lallatin notes in the article included as Attachment 3, there is no such thing as a single government market.

Last May, BidNet signed a contract with the U.S. Department of Commerce, Minority Business Development Agency (MBDA), to make the BidNet Bulletin Service available to more than seventy Minority Business Development Centers throughout the United States. Each of the participating centers reviews the Bulletins it receives from BidNet and alerts minority firms in its area to the competitive contracting opportunities that are identified. The firms wishing to pursue a contracting opportunity then contact BidNet to obtain a copy of the complete solicitation document. Participating Centers have been extremely enthusiastic about the usefulness of the information BidNet provides them.

Many minority firms have benefited because MBDA had the foresight to establish an information services office several years ago. Through Minority Business Development Centers all across the country, the information services office of MBDA has provided minority firms a wide variety of practical and timely information developed by commercial organizations, including BidNet.

Several other commercial organizations also offer marketing assistance to small business concerns. To the best of our knowledge, however, none of them could be considered a direct competitor to BidNet. In fact, we have conducted discussions with some of them regarding the feasibility of cooperative efforts. Some of these organizations include:

- the National Small Business Association, which through its BEAM service, matches up small business profiles with CBD opportunities;

- the Small Business Support Center Association, which publishes other services for small businesses;
- the Small Business Service Bureau, which sells consulting, information-gathering, and lobbying services to small companies;
- other organizations which provide support services include the National Federation of Independent Business, the U.S. Chamber of Commerce, the Small Business Legislative Council, and Small Business United.

In closing, I thank you, Mr. Chairman, on behalf of BidNet, for this opportunity to describe the marketing assistance BidNet is providing to small businesses interested in doing business with governments at the Federal, State, and local levels. I will be happy to answer any questions which members of the committee may have.

Background information on the various services BidNet provides for vendors and purchasers is included in Attachments 4 through 9. The resumes in Attachment 10 reflect the extensive procurement expertise and hands-on experience of the BidNet management team.

ATTACHMENT 1

SAMPLE BIDNET BULLETINS SENT TO SUBSCRIBERS

QUANT/DESC: 1 lot/ basketball scoreboard: remotely operated from 1 control station, 4 face display, solid state multiplex system
DELIVERY POINTS: Wilmington, NC
SPECS: Design
JURIS: State of North Carolina
USING AGENCY: UNC Wilmington Athletic Dept
BID CLOSE: 2:00 PM 09/18/85
DELIVERY DATE(S): 11/1/85
SPECIAL NOTES: On-Site Visit
CONTROL #: (TK) 08/29/85-500269
REPLY FOR FULL BID PACKAGE: 1-800/543-0495

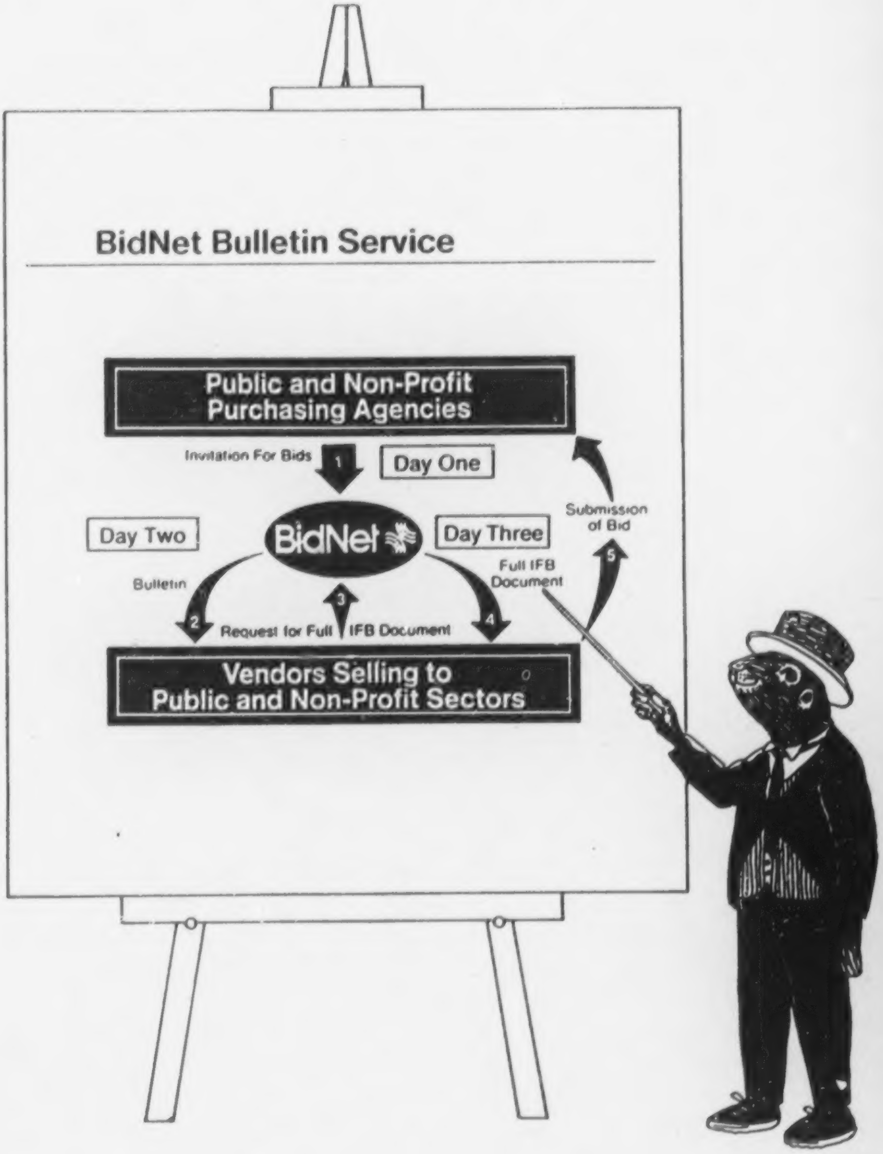
QUANT/DESC: 1/truck: 27,500 lbs GVW, snow-blow, underbody blade, 151" WB, 84" CA, 175 hp, 5 cu yd cap, wash, dump body
DELIVERY POINTS: Arlington Heights, IL
SPECS: Brand Name or Equal
Ford
JURIS: Arlington Heights Village, IL
USING AGENCY: Unspecified
BID CLOSE: 10:00 AM 09/06/85
DELIVERY DATE: Unspecified
SPECIAL NOTES: Bid Bond Req
Less Trade-In
CONTROL #: (rvc) 08/26/85-500138
REPLY FOR FULL BID PACKAGE: 1-800/447-5837

QUANT/DESC: 14/ floodlight: mercury vapor
DELIVERY POINTS: Los Angeles, CA
SPECS: Design
QUANT/DESC: 20/ mercury lamps
DELIVERY POINTS: Los Angeles, CA
SPECS: Brand Name or Equal
HUBBELL
JURIS: Los Angeles Dept of Water & Power, CA
USING AGENCY: Same as juris
BID CLOSE: 10:00 AM 09/18/85
DELIVERY DATE: 60 days
SPECIAL NOTES: Local SB Pref
CONTROL #: (oko) 08/29/85-500144

QUANT/DESC: Var Qtys, 66 itms
auto shop equip & supplies: hand tools, cleaning & testing kits, drop lights, hoists & pulleys, etc
DELIVERY POINTS: Fairfax Co, VA
SPECS: Varies by Product
QUANT/DESC: Var qtys, 10 itms
hand tools & accessories: wrench set, vise, tool drawer stand, etc
DELIVERY POINTS: Fairfax Co., VA
SPECS: Varies by Product
JURIS: Fairfax Co., VA
USING AGENCY: Dept of Education
BID CLOSE: 2:30 PM 09/16/85
DELIVERY DATE: State best
SPECIAL NOTES: Local Preference
CONTROL #: (TK) 08/29/85-500298

QUANT/DESC: 25 tons, 3 itms/ chicken feed: starter mash, grower mash, breeder mash
DELIVERY POINTS: Amherst, MA
SPECS: Design
JURIS: University of Massachusetts
USING AGENCY: Vet & Animal Sciences Dept
BID CLOSE: 2:00 PM 09/11/85
DELIVERY DATE: State best
CONTROL #: (JMS) 08/29/85-500007

ATTACHMENT 2



BidNet Bulletin Service

Public and Non-Profit Purchasing Agencies
Invitation For Bids
1
Day One
Day Two
BidNet
Day Three
Submission of Bid
5
Bulletin
2
3
Request for Full IFB Document
Full IFB Document
4
Vendors Selling to Public and Non-Profit Sectors

ATTACHMENT 3

GOVERNMENT MARKETS: MYTHS AND REALITY

By: Carla S. Lallatin
Vice President, Network Services
BidNet

© Copyright BidNet 1985

GOVERNMENT MARKETS: MYTHS AND REALITY

By: Carla S. Lallatin
Vice President, Network Services
BidNet

How to sell to government appears to be either one of the best kept secrets of all times, one of the world`s greatest mysteries, or one of the current fashionable discussion topics. Success in the government market is not dissimilar to any other success in life. It takes more than talk, it takes commitment.

A company wanting to sell to government must decide the level of resources it is willing to devote to these efforts. Initially, this may be research to determine market potential. It may develop later into a significant portion of available resources dependent upon potential and the ability to achieve potential.

A common fallacy is "the government market." It is not the market, but rather thousands of markets including federal, states, cities, counties, towns, municipalities, boards, commissions, authorities, schools, colleges, universities, hospitals, etc. There are basic commonalities; however, every purchasing authority has some unique characteristics.

Reviewing the Myths

Perhaps, once a company is willing to accept that there are thousands of markets, the next step is to examine basic beliefs about government generally. The following lists a few of these:

- Government is bureaucratic--too much red tape.
- Bureaucrats are lazy--unwilling to work hard; not prone to change, much less innovation.
- Tax money is misspent--and government employees are not concerned.
- Bids are rigged.
- Government does not pay its bills.

In examining these commonly held beliefs, a company needs to be willing to discover the truth and give up the myths. This is not a popular position, it is merely necessary to allow a company to reasonably and accurately assess its potential in the thousands of government markets.

What is the truth about red tape in government? An objective examination reveals that red tape equals a series of processes--laws and regulations--which must be followed to get things done legally. These processes were designed to protect the taxpayer--for the public good, if you will. The public servant charged with the responsibility of following these laws and regulations did not design them. You did--by voting for your chosen elected officials to represent and protect you and your interests. These processes are not normally complicated, but they may be lengthy. They do entail more than a handshake! A company interested in the government market needs to be willing to accept that these processes exist and be willing to play by the rules.

And, what about the myth of the lazy bureaucrat? Sure, they exist--both in and out of government--and not more in the public than the private sector. Consider for a moment all of the services that are delivered by government in the United States. Most of these are delivered so well that citizens expect them, take them for granted. A driver will complain about potholes, but seldom stop to marvel at the number of miles he/she can drive and never encounter so much as a bump. Spring arrives and parks and beaches miraculously are ready to receive children of all ages. A blizzard hits and the snow in the streets disappears long before that on lawns and the surrounding landscapes. These are not miracles, or maybe they are. But whichever, they are the results of hardworking, dedicated public servants--people who are concerned about making a difference in the quality of life the rest of the world assumes.

Tax money is misspent and government employees are not concerned. The truth is that government employees are probably more concerned about how money is spent than the average taxpayer. While the demand for services, a few of which have been mentioned earlier, has not changed significantly over the past decade, neither have the resources (budget, number of employees, etc). Consider the impact of inflation alone and it becomes apparent that government is doing more with less. While this may have happened due to taxpayer revolt, it is the public servant--those lazy, uncaring government bureaucrats--who have figured out how to make it work.

Bids are rigged. If one closely examines the way a public purchasing agent spends his/her time, one discovers that a good portion is devoted to identifying new sources of supply, administering outreach programs to encourage companies' interest in doing business and apprising them of opportunities. These activities and bid rigging are hardly compatible.

Although at one time governments' reputation for slow pay may have been valid, as a result of the Prompt Payment Act of 1982 over 99% of the federal government's bills are now paid on time, which in most cases means within 45 days upon receipt of the bills. This record is based on 23 million payments in fiscal year 1984. Prior to passage of the Act, about 30% of the government's bills were paid late. In addition, 40 states have now passed prompt payment laws that require state governments to pay their bills on time or incur interest penalties. The benefits of prompt payment laws include: real leverage for vendors in getting their bills paid on time; more bidders on public contracts; better prices for goods and services; and, savings for the taxpayers.

Applying Reality

By this point in the process, a company has discovered thousands of markets and fallacies in commonly-held beliefs about government. It may even be willing to adopt some new assumptions:

- There is an opportunity to do business with government.
- Government treats its suppliers in a fair and equitable manner.
- Government is interested in my company as a potential supplier.
- Government has rules which must be followed but tells me what they are.
- Government pays its bills as well as, if not better, than the private sector.

So, with these new beliefs and these thousands of markets, what does a company do next? It looks at and takes time to understand the basic commonalities that can be applied across these thousands of markets and pinpoints those areas where variances are most likely to occur.

Ten questions a company might ask include:

1. Who buys my product?

   Commonality: Most companies will find a market in government for their product. The key is finding out exactly who buys it.

   Variance: Purchasing can be centralized or decentralized. If centralized, the degree of authority purchasing has in awarding contracts can vary. The level of delegated authority may also vary.

2. How is my product purchased?

   Commonality: Most government acquisitions are done through a competitive process. Source selection methods may include telephone quotations, informal bids, advertised competitive bids and requests for proposals. The process internal to government is that the user agency prepares and submits a requisition for a product to the purchasing office which prepares and advertises bids, evaluates responses and awards the contract.

Variance: The dollar limit for the different types of source selection methods varies among purchasing entities. It is normally established by law or regulation.

3. How is my product described?

Commonality: Product descriptions or specifications are an integral part of the acquisition process. Many government specifications are design, although there is a strong movement toward performance or combination design/performance specifications.

Variance: The responsbility for specification development may be with the purchasing office, or with the user agency with review by the the purchasing office to assure non-restrictive specifications.

4. How does my company know when government is buying my product?

Commonality: BidNet provides notices of bid opportunities from over 1000 governments in your product area. Most governments have bid lists for which companies can request applications and apply to be added to the list. These lists are used to mail copies of bid documents.

Variance: All bid documents are not sent to all bidders on the list by governments. The actual use of the list varies.

5. What does my company do if it does not understand or disagrees with the specifications?
   Commonality: It is critical that all requirements be understood prior to bidding. If you have questions or a disagreement, contact the purchasing office prior to bid opening.
   Variance: None

6. How does my company know exactly what is expected if it receives a contract?
   Commonality: The bid documents contain the principal terms and conditions for doing business.
   Variance: Some terms and conditions may not be contained in the bid document but incorporated by reference.

7. How does my company sell its product to government?
   Commonality: Governments buy most products through the bid or proposal process. Respond to bids and submit them before the due date.
   Variance: Some acquisitions are made through telephone quotations. Most of these are small or emergency purchases.

8. How does my company find out the results of a bid?
   Commonality: The successful bidder is sent a contract or purchase order which is his/her authority to deliver and

assurance payment will be made. Other bidders are not notified but may find out results by contacting the government.

Variance: A few governments notify all bidders of results.

9. How does my company get paid?

Commonality: As soon as a product is delivered and accepted in accordance with the contract and an invoice is submitted, the process to make payment begins. Most payments are made within 30-45 days.

Variance: Some governments require submittal of additional forms with the invoice. This should be explained in the bid terms and conditions.

10. What does my company do if it does not receive payment?

Commonality: The purchasing office is able to advise a company of the steps to follow if a payment is delayed.

Variance: Although most purchasing offices will respond directly to an inquiry, some may referyour company to the user agency due to the structure of internal procedures.

Making the Sale

The activity of procurement is divisible into two basic functions, technical and administrative, and takes place in three distinct steps:

1. The presolicitation phase, which begins with procurement planning and culminates in the procurement package, consists of the bid set and its source material.
2. The solicitation-award phase, in which prospective bidders are selected and given a bid set. The bidders respond with offers and an award is made to the one most responsive to the need of the government as stated in the IFB/RFP.
3. The post-award contract administration phase during which the contract, as administered by the government, controls the performance of the contractor.

The following guidelines and suggestions may be helpful to potential contractors, with limited experience in the government market.

1. **Read with Meticulous Care the Solicitation, Its Attachments, and Specifications.**
   Government solicitations and contracts require careful analysis. Requests for Proposal (RFP`s) and Invitations for Bid (IFB`s) include standard forms and special provisions, with contract
   clauses incorporated by reference. Inexperienced bidders are often unaware of the importance of the clauses, and failure to understand often leads to problems.

Remember, the way of doing business comes with the contract. This may be different from commercial practice. The newcomer should determine all that is expected before bidding.

2. **Assess the Task, the Risk, and In-house Capabilities**

   Businesses in their endeavor to increase sales volume and anticipated profit may, at times, be overly optimistic in assessing the task, the risk and in-house capabilities when bidding on a contract, either as a prime or subcontractor. In assessing the risk, the bidder must take a realistic approach in determining whether it has the overall capability, both technical and financial, to perform on a selected procurement.

   Delay in receipt of goods and supplies from vendors or subcontractors could cause the contract to be in delinquent status, which in turn could be cause for termination of the contract.

3. **Understand the Specifications and Standards**

   Specifications seek a level of quality. They are clear and accurate descriptions of the technical and/or functional requirements for materials, products, or services. They specify the minimum requirements for quality and construction of material and equipment necessary for an acceptable product. Generally, specifications are in the form of written standards and other descriptive references. They are an integral part of the purchase contract. Standards are descriptive criteria to assure material uniformity and interchangeability of parts and may be used in specifications, invitations for bids, proposals and contracts.

4. **Estimate Cost Based on Factual Data, not "Guess-timating."** Experience has shown that some businesses prepare a cost estimate based on previous award prices. The presumption is that prior contractors had profitable contracts. A firm that underbids the last award price by a small percentage is risking a money losing contract.

Sometimes the bid price is arrived at by historical prices on comparable items, and the market is not checked for current costs for materials and components.

There are instances in which a business will bid low to obtain a contract in the hope of follow-on business. Skill in estimating costs realistically is perhaps the most important capability of a bidder, because it is usually price that gets him the contract when competing with others equally qualified. Some typical cost estimating factors are:

- Subcontractor and vendor costs
- Overhead and overhead trend
- Learning curves for labor and salaried personnel
- Estimate of man-hours
- Availability of furnished material and equipment
- Material cost trend

- Labor and salary rates and predictable changes
- Judgment based on experience with similar jobs
- Profit

The "pig in a poke" approach to bidding often results in lamentation when the contract is granted. The solution is obvious: **BID CAREFULLY!**

5. **Allow Adequate Bid Preparation Time**

When a contractor bids under the pressure of time, the results can be disastrous. The contractor finds himself committed to contractual requirements that cannot be met profitably or in a timely manner. Preparing a profitable, responsive bid requires close and careful study of the bid package which includes all specifications and standards. Invitations have deadlines however, and there seems to be no time to get needed specifications, obtain supply quotations, and resolve conflicts. In brief, the quotation is made with little or no visibility.

The solution lies in setting up a system for a quick bid/no bid decision, and if the word is "bid," a rapid system for retrieving specifications. Referenced specifications should be read carefully.

Waiting until the preparation of a bid is a poor time to start assembling supporting materials. A business should take the time to assemble cost accounting records so that costs in terms of time and material are readily available. If a short-lead-time solicitation arrives, a firm should not resort to a hasty estimate based on a best guess; rather, it should bid on factual performance records.

A relatively insignificant error can be multiplied into the difference between profit and loss when extended by production quantities.

The bidder should realize that no matter how attractive the solicitation appears on the surface, it should not be bid unless time permits the bidder to adequately study all of the task specifications and evaluate completely all costs essential to the production of the bid item or service.

6. **Assure Performance.**

If you can't do it - don't bid. Because of eagerness to receive a contract award, a bidder may inadvertently or intentionally accept an impossible time frame or delivery schedule for contract performance. The net result could be serious financial losses or even bankruptcy.

Prior to the acceptance of a contract you must ascertain that you can make delivery of the supplies or perform the services within the time specified in the contract, and also be assured that continued progress can be made so the performance will not be endangered.

7. **Prepare Bids and Proposals Carefully.**

There are two types of offerings--bids and proposals. Bids involve advertised proposed purchases, while proposals involve purchases to be made by negotiation.

Bids and Proposals always should be prepared with utmost care. Contracts awarded on erroneous bids may result in serious financial loss or other difficulty for the bidder. Errors in bids or proposals, if revealed during negotiations or through subsequent request for amendments, may cause the Purchasing Agent to doubt the firm's reliability to perform successfully.

Before preparing a bid, close study should be made of the specifications for the item to be sure that all requirements can be met. Particular attention should be given to the instructions to bidders and to conditions of purchase, delivery and payment.

When determining the amount of the bid, firms should be especially careful to include all costs of material, labor, overhead, packaging, and transportation. Also, they should be sure to comply with such important provisions of the bid as signing the bid, submitting the required number of copies, mailing the bid in sufficient time to reach the purchasing office before the bid opening date, and properly tagging, marking and mailing any required samples well in advance of the opening date.

Frequently asked questions by bidders include:

1. What are the most frequently considered factors involved in determining a responsive bid and a responsible bidder?
   A "responsive bid" is a bid which meets all the terms, conditions and specifications of the IFB. A "responsible bidder" indicates that a contractor has the financial resources, personnel, facilities, integrity, and overall capability to complete a particular contract successfully.

2. Can a stipulation of "all or none" on behalf of the vendor for his materials lead to a disqualification of a bid?
   Yes. If it is in the best interest of the government to accept the "all or none" stipulation, the bid may be accepted for evaluation. However, if the government determines that the "all or none" stipulation is not in its best interest, the bid may be disqualified by the Purchasing Office.

3. When is resident preference applicable?
   Resident preference is applicable only as set forth in the bid document. It does not preclude consideration of non-resident bidders.

4. What happens if I can only bid on part of the items in an IFB?
   You should bid on only those items you can provide. The Purchasing office has the option to decide, after bid evaluation, whether or not a bid-in-part is feasible for the government. The individual bid will indicate whether the bid will be awarded on an individual line item basis or in the aggregate or combination thereof.

5. How can I get my product approved?
   Product approval or evaluation is normally done after bids are received and opened. However, in some instances a government will evaluate certain products and establish a

Qualified Products List. When this is the case, products can be submitted for evaluation at any time.

6. May I bid if I don't handle the brand listed on the IFB? Yes, if the bid specifies "a brand name or equal", you may offer an alternative "or equal" brand. "Or equal" products will be evaluated after bids are received, based on literature submitted and any required testing of the product.

The opportunity to sell to government is increasing. Taxpayers today are demanding more efficiency and more responsible spending from government. And, government is responding and meeting these demands.

There is no magic formula for doing business with government. Just as in the private sector, suppliers must identify the need to be competitive, and provide the best products at the best price. Government is probably the largest untapped market in the world. The opportunities are there. Choose to take advantage of them.

Nation's Business®
A U.S. Chamber of Commerce Publication
July 1985 • $2.50

STRATEGIES FOR SUCCESS

The "Bug" Bites, And BidNet Is Born

Two years ago three young professionals were itching to start their own business. "We had the entrepreneurship bug," Richard L. Cohen says. "We were just looking for the right idea."

The result: BidNet, sort of a matchmaking service for business. It alerts companies electronically to what is being bought by government and nonprofit purchasers across the country, bringing together in one computerized data base the purchasing needs of the federal government, states, counties, cities, and many other entities.

BidNet, based in Rockville, Md., collects public bid documents, summarizes key information and sends bulletins to subscribers via electronic means, including telex and the computer.

All three—Andrew Lupton, Cohen and Mary Brady—had worked for the government, at either the state or federal level.

Familiar with the *Commerce Business Daily*, a U.S. Commerce Department publication that lists most federal government contract opportunities, Lupton wondered if anything comparable covered state and local government contracts.

"We began to investigate," Cohen recalls. "There was nothing."

The group also discovered that it would be nearly impossible to provide the service in print form because state and local contracts are often open for bid for extremely short periods—sometimes only 10 to 15 days, compared with at least 30 for the federal government.

"That meant that by the time we could get the information out to clients, the bidding would be closed," Cohen explains. "Our transmissions had to be electronic."

Several months were spent researching the idea, as all three continued working at Washington jobs. Soon discussions involved Gregory O. Lipscomb, a former California state government official and a friend of Cohen's.

Information from Richard Cohen's (left) BidNet led Frank Jaret and his Lanham, Md., firm to a contract for coffee makers.

A business plan was prepared, and funding was sought. "Almost everyone we talked to, their eyes lit up," says Cohen. "Few were uninterested."

Finally, agreement was reached with Best Products Company, a Richmond-based catalog showroom chain. In December, 1983, BidNet became part of Best, whose executive vice president and chief financial officer was Joel D. Koblentz, now BidNet's president.

Last November Koblentz, Lipscomb and the three founders agreed to buy the company from Best. Last April Dun & Bradstreet Corporation bought a half interest.

BidNet's growth has been phenomenal.

"We started with 11 jurisdictions putting information into the system, sharing bid documents with us," Cohen says. "Today we have some 550."

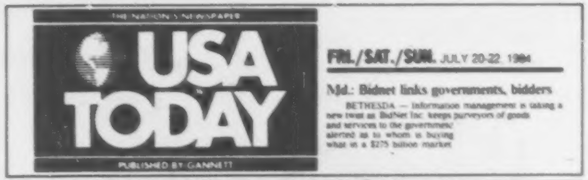
Cohen says the firm often sends more than 1,000 bulletins a day to its 500-plus clients across the country.

"BidNet is one of those rare business ideas that come along every so often," says Lupton. "On the one hand, we are helping public purchasers by identifying new sources of supply, expanding competition and helping purchasers get a better value for the taxpayers' dollar. At the same time, we make it possible for vendors to find out about bid opportunities quickly and cost-effectively."

BidNet charges $1,795 a year for state, local and federal coverage. State and local coverage, or federal coverage only, costs $1,200. Full bid packages requested are sent by courier or first class mail, depending on need.

A subscriber in St. Paul recently won a substantial contract from the city of Buffalo. "Without BidNet, the firm would never have known about the bid opportunity," says Cohen. "As a result of BidNet, the firm picked up a nice piece of business, and Buffalo found a new, cost-competitive supplier. That, in a nutshell, is what BidNet is all about."

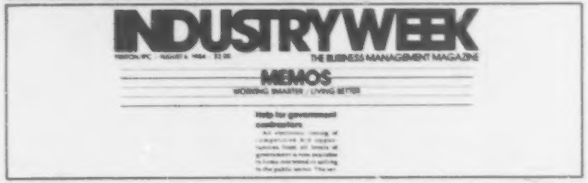
—Bob Gatty


THE NATION'S NEWSPAPER
USA TODAY
PUBLISHED BY GANNETT

FRI./SAT./SUN. JULY 20-22, 1984

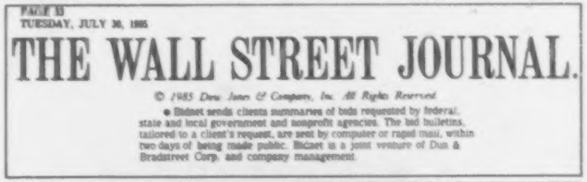
Md.: Bidnet links governments, bidders

BETHESDA — Information management is taking a new twist as BidNet Inc. keeps purveyors of goods and services to the government alerted as to whom is buying what in a $275 billion market.


INDUSTRYWEEK
THE BUSINESS MANAGEMENT MAGAZINE

MEMOS
WORKING SMARTER / LIVING BETTER

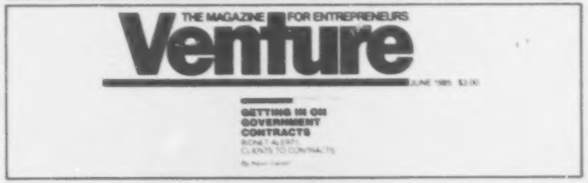
Help for government contractors


TUESDAY, JULY 30, 1985

THE WALL STREET JOURNAL.

© 1985 Dow Jones & Company, Inc. All Rights Reserved

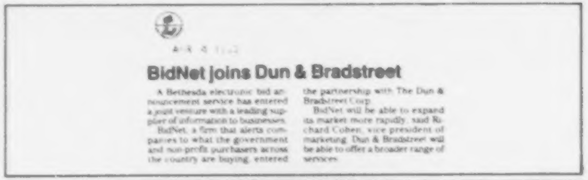
- Bidnet sends clients summaries of bids requested by federal, state and local government and nonprofit agencies. The bid bulletins, tailored to a client's request, are sent by computer or rapid mail, within two days of being made public. Bidnet is a joint venture of Dun & Bradstreet Corp. and company management.


THE MAGAZINE FOR ENTREPRENEURS
Venture
JUNE 1985 $3.00

GETTING IN ON GOVERNMENT CONTRACTS
BIDNET ALERTS CLIENTS TO CONTRACTS

S&MM
SALES & MARKETING MANAGEMENT
MAY 13, 1985
A BILL PUBLICATION
FIVE DOLLARS

BidNet gives small companies access to government market


BidNet joins Dun & Bradstreet

A Bethesda electronic bid announcement service has entered a joint venture with a leading supplier of information to businesses.

BidNet, a firm that alerts companies to what the government and non-profit purchasers across the country are buying, entered the partnership with The Dun & Bradstreet Corp.

BidNet will be able to expand its market more rapidly, said Richard Cohen, vice president of marketing. Dun & Bradstreet will be able to offer a broader range of services.

THE ATLANTA CONSTITUTION

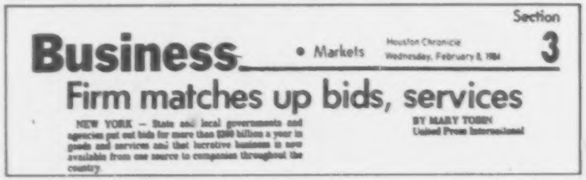
Putting sellers, buyers in touch

Business Journal of New Jersey
Business Journal of New Jersey's Monthly Stock Review
75¢

Bid firm service expands
New Jersey a major targeted market

Dallas/Fort Worth Business

Firm tracks U.S. notices for clients


Section 3
Business • Markets
Houston Chronicle
Wednesday, February 8, 1984

Firm matches up bids, services

BY MARY TOBIN
United Press International

NEW YORK — State and local governments and agencies put out bids for more than $200 billion a year in goods and services and that lucrative business is now available from one source to companies throughout the country.

Senator NICKLES. Thank you, Dr. Gordon. That's an interesting business, and I guess as a person that's been on the private side, that's thumbed through the Commerce Business Daily News in a frustrating—and, I guess, time-consuming—aspect, I wish you well in your services.

Just one final comment. I need to get to our next panel, and I apologize for having the first panels take so long, but, Mr. Clements, I'll just request of you—in looking at the Tinker procurement that I see, we find a great deal, as I mentioned before—I think $3.4 billion, $3.5 billion, and we end up doing about $100 million of the contracts that are going out in Oklahoma. Many of those firms, in my opinion—it would greatly behoove the Oklahoma City Chamber and the Oklahoma Chamber and our offices and others to work, see if we couldn't encourage and entice some of those firms to locate in Oklahoma. Try and save them some transportation expense.

Mr. CLEMENTS. I couldn't agree more.

Senator NICKLES. So I'll be happy to work with you to do that, if we can identify those firms. And again, I think there are some opportunities there, and we'll work to see if we can't be of some success.

Mr. Miller, thank you for coming and for your participation. You've been to Washington many times and have helped us, and I congratulate you in what you're doing with some of the State universities. I think that is offering an opportunity for a lot of businesses that really don't have the connections to learn what's available in some of our universities for some assistance, and I wish you well in that regard.

Mr. MILLER. Thank you, Senator.

Senator NICKLES. Thank you very much.

Mr. Schaaf, as well, you came from Indianapolis and I appreciate your participation in our hearing today. Thank you very much. And you entered a very extensive statement, as well, which I have been reading, and I appreciate that.

Mr. SCHAAF. Well, one thing we did do is give you an outline of our whole program, which we're happy to make available to anybody. Mr. Miller might like to look at it for the purpose of developing his program.

Senator NICKLES. I think you're on target when you say we really need to be in the marketing business, we need to be out selling to the Government, not just hoping that the Government's going to be bringing it to us. We have to go out and figure out how to open up those doors and get in. Thank you very much.

Our next panel, final panel—one thing very interesting, because we do have a lot of additional procurement in the State of Oklahoma that many people are not aware of. We have Mr. Garland Castleberry, who is director of the Mike Monroney Aeronautical Center of the FAA in Oklahoma City. He's accompanied—I'll let you do the introductions.

And also, we have Donald Walker, director of material for the Tulsa facility of Rockwell International; and also we have Mr. Frank Jerd, who is vice president of sales for North America for Telex from Tulsa.

Mr. Castleberry.

STATEMENT OF GARLAND P. CASTLEBERRY, DIRECTOR, MIKE MONRONEY AERONAUTICAL CENTER, FEDERAL AVIATION ADMINISTRATION, OKLAHOMA CITY, OK, ACCOMPANIED BY BEN W. RIDGEWAY, MANAGER, PROCUREMENT DIVISION; AND GLORIA J. ABRAM, SMALL AND MINORITY BUSINESS SPECIALIST

Mr. CASTLEBERRY. Thank you, Mr. Chairman. We do appreciate the opportunity today to appear before your subcommittee to discuss our Small and Disadvantaged Business Utilization Program. I am director of the FAA Mike Monroney Aeronautical Center; accompanying me today are Mr. Ben Ridgeway, manager of our procurement division, and Ms. Gloria Abram, our small and disadvantaged business utilization coordinator.

I believe this hearing is really a unique opportunity, Mr. Chairman, for us to further inform the public of our small business program and how it works to promote small business participation in our procurement process. By your focusing attention on this, you've given us an opportunity to hear from those people that we're supposed to be serving, also, so I think it's very useful to hear the good news and the bad news and to commit to doing a better job, so we thank you for that very much.

Senator NICKLES. Thank you.

Mr. CASTLEBERRY. The FAA's total procurement process at the Aeronautical Center in last fiscal year, fiscal year 1985, was $137 million. Oklahoma firms received $32.5 million of this total. Products and services are purchased nationwide from over 3,500 suppliers. About 20 percent of the items purchased are shipped directly to the more than 2,500 major FAA field locations. Approximately 40 percent are delivered to the FAA Depot here at the Aeronautical Center, and the remaining 40 percent would go to other facilities at the Aeronautical Center.

We're very proud at the center of our accomplishments in the program. Although many of the program activities are directed by regulation, we take pride in the innovative efforts that are being made to make our program work. These include an outreach to the small business community through active participation in trade fairs and membership in such organizations as the Minority Business Opportunity Committee and the South Central Small Business Council. We've also added an innovative discipline to the program by requiring that our contracting officers make a written determination of small and disadvantaged business set-asides, and those are reviewed up to a limit of $2,500 and above. We've also established employee performance standards that encourage contracting officers to seek opportunities for small business set-asides. That's also in my performance standard. We have to be accountable for all the activities.

The Aeronautical Center is committed to improving our program wherever possible. During the past 6 years we've shown consistent growth. Our expenditures at the Aeronautical Center for fiscal year 1985 consisted of $50 million to small business firms, of which $11.7 million went to disadvantaged firms. This represents an increase of $23 million and $7.7 million, respectively, from our fiscal year 1980 support of these programs. That's summarized in the chart accompanying my statement.

I also might point out that in listing that total figure here, we have out-of-State companies that employ Oklahoma people for the most part. There are 10 of those that have 298 employees at the Aeronautical Center. That's an additional $10 million in value, so that it works both ways, out-of-State companies with Oklahoma employees.

Senator NICKLES. We like that.

Mr. CASTLEBERRY. Yes, sir, hope it always works that way.

We are also proud of our accomplishments in support of small business firms owned and operated by women. In fiscal year 1985, $5.3 million was awarded to those firms, as well.

So I don't want to take a lot of time with the statement, but just to focus on the fact that we hold our people accountable for what they're doing. We have a national program for goals. We encourage small firms to know about the FAA's $117 billion program for the National Aerospace System Modernization Plan. We appreciate your support, also, of the other activities conducted by the FAA. We also have been recognized for the last 5 years for a Special Service Award at the Aeronautical Center because we have exceeded our goals for the program.

We think that our bidder's list also is very effective. We have a bidders list consisting of 6,398 vendors; 81 percent of these are small business firms. If you're not on the list, we encourage you to come and take part in the process.

Ms. Abram has an office that is the central focal point for all information about our programs. She's there 5 days a week, and we want to work with you in any way we can.

That concludes my statement, except I would just like to call attention to the fact that during the last 10 years, the Aeronautical Center has been a cosponsor of a very successful annual symposium for small and disadvantaged businesses conducted at Rose State College that's really there to assist the Oklahoma businesses in selling their products and services to Government. I participated last year; I look forward to this year, and I know you've also taken part in that program. So hope to see you there this year.

[The prepared statement of Mr. Castleberry follows:]

STATEMENT OF GARLAND P. CASTLEBERRY, DIRECTOR, MIKE MONRONEY AERONAUTICAL CENTER, FEDERAL AVIATION ADMINISTRATION, OKLAHOMA CITY, OKLAHOMA, BEFORE THE SUBCOMMITTEE ON GOVERNMENT PROCUREMENT, COMMITTEE ON SMALL BUSINESS, UNITED STATES SENATE, ON SMALL BUSINESS PARTICIPATION IN THE FEDERAL PROCUREMENT MARKET, TINKER AIR FORCE BASE, OKLAHOMA CITY, OKLAHOMA, MARCH 22, 1986.

Mr. Chairman and Members of the Subcommittee:

We appreciate the opportunity to appear before the Subcommittee today to discuss our Small and Disadvantaged Business Utilization (SADBU) Program. I am Garland P. Castleberry, Director of the FAA Mike Monroney Aeronautical Center. Accompanying me are Mr. Ben W. Ridgeway, Manager of our Procurement Division, and Ms. Gloria Abram, our Small and Disadvantaged Business Utilization Coordinator.

I believe this hearing presents a unique opportunity for us to inform the public of our SADBU Program and how it works to promote small business participation in our procurement process. We appreciate the interest of the Subcommittee in the actions that are being taken to create additional competitive contracting opportunities for small and disadvantaged businesses.

The total procurement program expenditures at the Aeronautical Center in fiscal year 1985 was $137 million. Oklahoma firms received $32.5 million of this total. Products and services are purchased nationwide from over 3,500 suppliers. About 20 percent of the items purchased are shipped directly to the more than 2,500 major FAA field locations. Approximately 40 percent are delivered to the FAA Depot and the remaining 40 percent to Aeronautical Center organizations.

The Aeronautical Center is proud of its record of accomplishments in the program. Although many of the program activities are directed by regulation, we take special pride in the innovative efforts of our Procurement Division that contribute largely to the accomplishments of our program. These include an outreach to the small business community through participation in trade fairs, and membership in such organizations as the Minority Business Opportunity Committee and South Central Small Business Council. We have also added an innovative discipline to the program by requiring contracting officers to make a written determination of small and disadvantaged business set-aside potential for each procurement exceeding $2,500. Further, we have established employee performance standards that encourage contracting officers to seek opportunities for small and disadvantaged business [SBA Section 8(a)] set-asides.

The Aeronautical Center is committed to improving its small and disadvantaged business program wherever possible. During the past 6 years we have shown consistent growth. Our expenditures for

FY-85 consisted of $50 million to small business firms of which $11.7 million was awarded to disadvantaged firms. This represents an increase of $23 million and $7.7 million, respectively, from our FY-80 support of these programs. A summary of our progress in the program over the past 10 years is shown in the attachment to this statement.

We are also proud of our accomplishments in support of small business firms owned and operated by women. During FY-85, $5.3 million was awarded to these firms.

I would like to take a few moments now to briefly explain the specific activities that make up our total program with emphasis on the topics in which the Subcommittee has expressed a special interest.

NATIONALLY ESTABLISHED GOALS AND OBJECTIVES

An important part of our program is the establishment of annual goals for awards to small and disadvantaged businesses. Each year, both dollar and percentage goals are established by the Center and forwarded for inclusion in the total FAA goals. The bases for our goals are projections by Center organizations, historical information, knowledge of program requirements, and procurement growth trends. Once goals are established, they are closely monitored each month by our coordinator and progress is reported each quarter to the Minority Business Development Officer who monitors program accomplishments for all organizations in the agency.

PERFORMANCE STANDARDS

Impetus to achieve established goals is added to the program through employee performance standards. For instance, achievement of small and disadvantaged business award goals is included in my performance standards as Director, as well as the Manager of each staff and division.

This adds incentive at the management level throughout the Center for continuous effort to achieve established goals. Performance standards have also been established at the contracting officer level in the Procurement Division. This discipline adds significant incentive to the program by motivating contracting officers to diligently seek opportunities for awards to small and disadvantaged businesses.

Each year, the Acquisition and Materiel Service at FAA Headquarters gives special recognition to procurement organizations that exceed their established goals. The Aeronautical Center has received this special service award each of the 5 years since inception of the special recognition program.

SET-ASIDE ACTIVITIES

Public Law 95-507, amendment to the Small Business Act of 1958, directs that all procurement under $10,000, subject to small purchase procedures, be set-aside for small businesses. We believe this law has increased the amount of procurement dollars awarded to small businesses. At the Aeronautical Center, each procurement exceeding $2,500 is reviewed for potential set-aside under one of the Government's preferential procurement programs. This is accomplished by the completion of a special form by the assigned contracting officer that is reviewed by the SADBU coordinator to determine if the requirement is suitable for set-aside for one of the preferential programs. This procedure goes a step beyond the regulatory requirements and adds an important discipline to the total program, by requiring the contracting officer to document his or her basis for not setting aside the requirement. Monthly, the local SBA Procurement Center Representative reviews these forms to determine the propriety of the contracting officer's determination. This SBA representative also provides guidance and assistance to contracting officers on possible sources and small and disadvantaged business subcontracting opportunities where applicable.

BIDDER'S MAILING LIST

A very important step in the contracting process is the proper identification of prospective vendors and their capabilities. We, like other government agencies, use the SF-129, Solicitation Mailing List Application, for this purpose.

We have a single point of contact within the Center's Procurement Division to assist interested suppliers in completing this application. At the same time, we explain our procurement needs and advise them of possible contracting opportunities with us and other civilian and military installations. We often refer people interested in establishing businesses or those with new business enterprises to the SBA, if we can determine they may need development or financial assistance.

Our bidder's mailing list has 6,398 vendors. Eighty-one percent (5,173) of these are small business firms. The bidder's mailing list operates on a rotating basis. Each bidder's list for a formal contract solicitation contains a high percentage of small business firms listed for that particular commodity or service. Also noteworthy, is the fact that our bidder's mailing list includes 677 minority business enterprises and 434 women-owned businesses.

SMALL AND DISADVANTAGED BUSINESS UTILIZATION ACTIVITIES

At the Aeronautical Center prospective contractors meet with our

SADBU coordinator for assistance in doing business with the agency. Advice to prospective contractors includes appropriate contacts with technical and procurement personnel and discussion of procedures on the procurement process. If their business interests are not in line with our requirements, they are referred to the appropriate agency, with a name and telephone contact.

Subcontracting plans are reviewed by the coordinator for compliance with the law. If the plan indicates that opportunities are not available for subcontracting to small or disadvantaged firms, the coordinator works with the prime contractor to seek subcontracting opportunities. Additionally, if the coordinator is aware of companies that can furnish subcontracting assistance, this information is provided. Subcontracting plans determined to be inadequate are returned and not accepted by the contracting officer until approved by the coordinator.

For the past 10 years, the Aeronautical Center has participated with other agencies in sponsoring the very successful annual symposium for small and disadvantaged businesses conducted at Rose State College. The purpose of this symposium is to assist Oklahoma businesses in selling their products or services to Government agencies and prime contractors. I participated in last year's program and look forward to this year's session. Mr. Chairman, I know you have been an active participant in this program and I hope you can take part in this year's symposium.

Additionally, the Center actively participates in small business seminars and conferences sponsored by local groups such as Oklahomans for Indian Opportunities, chambers of commerce, and other Governmental agencies. The Center's SADBU Coordinator represents the Department at Federal Procurement Conferences and Congressionally sponsored conferences aimed at locating small, disadvantaged, and women-owned businesses for purchase of supplies and services.

The Center serves as an active member of organizations such as the Minority Business Opportunity Committee. This committee has helped local small, disadvantaged, and women-owned businesses to understand the process of federal procurement and become viable suppliers of products and services. We have aided them in completing bidder's mailing list applications and procurement solicitations. The SADBU Coordinator, has served as President of this committee. The South Central Small Business Council is another organization in which the Center's SADBU Coordinator is actively involved. This council covers Federal agencies, both military and civilian, in a five-state area; Arkansas, Kansas, Louisiana, Oklahoma, and Texas. The purpose of the council is to promote the various small and disadvantaged utilization programs. Its objectives are to promote the exchange of ideas, methods, and experiences. It also develops a closer relationship and better communication between Governmental entities, and the small and disadvantaged community. The Center's SADBU Coordinator has served as Policy Chairperson and Activity Chairperson on this Council.

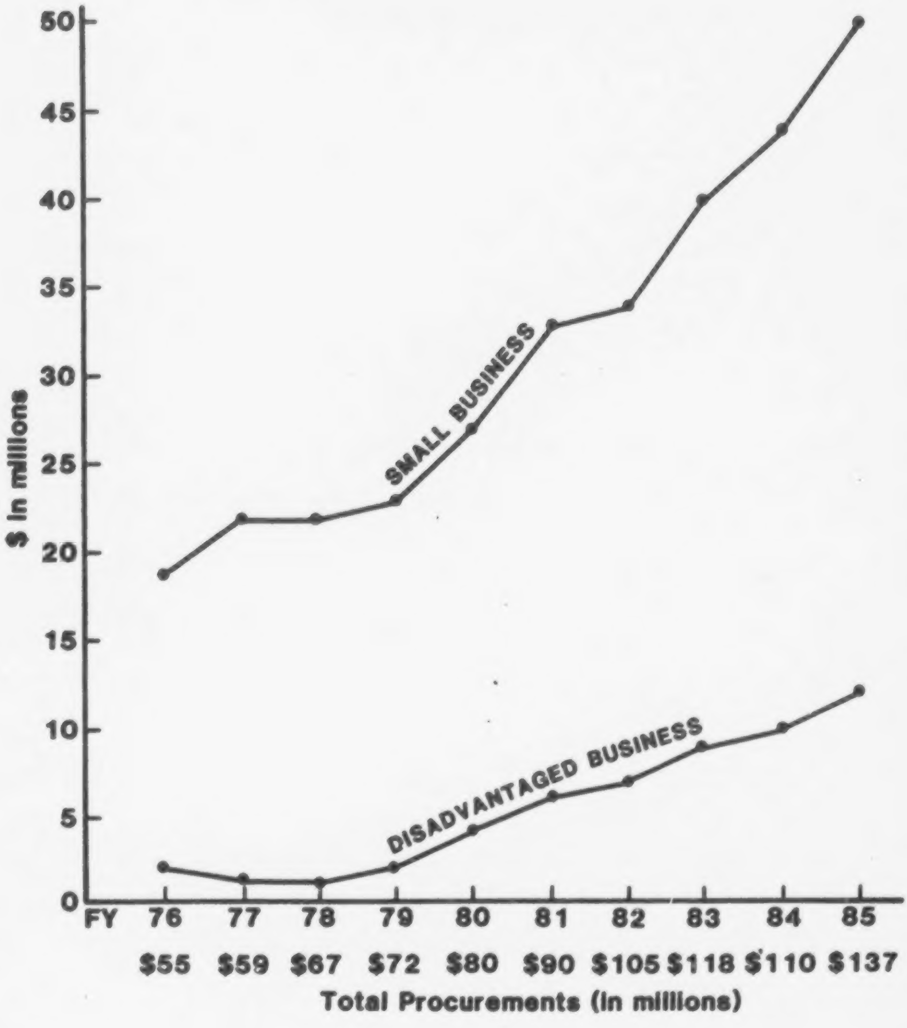
* * * * * * * * * * * * * * * * * * * *

In closing, Mr. Chairman, I would again like to thank the Subcommittee for its interest in our program to encourage small, disadvantaged, business participation in the Federal procurement market. We believe that our efforts have and will continue to produce positive results in expanding the participation of these businesses in our procurement process at the Aeronautical Center.

This completes my prepared statement, Mr. Chairman. I would be pleased to respond to any questions from you or other members of the subcommittee.

Attachment

FAA MIKE MONRONEY AERONAUTICAL CENTER
SMALL AND DISADVANTAGED BUSINESS PROGRAM GROWTH



Senator Nickles. Thank you, Mr. Castleberry.

Before I go to the rest of the panel I'll just ask you all a couple of questions.

One, I want to compliment you. I don't know how many Oklahomans are fully aware of the fine facility that we have in the Mike Monroney Center in Oklahoma City. It's an outstanding facility with outstanding personnel that does an outstanding job.

You mentioned you have, $137 million in contracts? Is that right?

Mr. Castleberry. Yes, sir, we do have. That's correct.

Senator Nickles. Is that including your payroll?

Mr. Castleberry. That does not include my payroll.

Senator Nickles. Payroll would be how much, as well?

Mr. Castleberry. The total payroll at the Aeronautical Center is difficult to give as a precise figure because the student load varies each month. We spend about $20 million a month in Oklahoma City, counting those, all our activity, so it's a $200 million budget per year.

Senator Nickles. Most of the contracts that you have deal with what?

Mr. Castleberry. We have a broad range of contract activity for both products and services—several with minority firms. We are a major in purchasing organization in this area. Mr. Ridgeway will give you some more details.

Mr. Ridgeway. The FAA Depot accounts for about 50 percent of the dollars spent. Another activity, is the FAA Academy; they have a large dollar program there. We also provide the contract support for the Washington office. There are about 25 contracts a year worth $5 million or $6 million, and that's in the area of field facilities, support activities, engine generators, towers, radar support and things of that nature.

Senator Nickles. There's been a lot of concern lately for people saying, well, the skies aren't safe; and you're charged with the responsibility of training the control operators. Do you want to add your comments to that?

Mr. Castleberry. Well, certainly, sir, I want to assure you that the skies are safe. I'm a former air traffic controller myself, a graduate of the FAA Academy, and we think we have the world's finest training activity here. One of the reasons we think the payroll is a slightly difficult thing to determine is because we have a constant student body that's turning over. Each of them spend money in the local economy. We now have almost 1,500 people in training, but we'll graduate a couple of hundred and have 1,300, so the payroll for all activities is fluctuating by month. We have a large complement of people now and I think it's going to increase significantly in terms of training activity in this next fiscal year. We want to keep supporting the local economy.

One of our contracts, the radar training facility, is also here at the FAA Academy. We have ghost pilots that operate the computer equipment that tracks the radar targets. There are several handicapped people that work in that job. That's one of the contracts we have with a small business firm. I think there are 62 people on that contract. So that's the kind of thing we like to do. If handicapped workers can do the job, that's fine. Also, we have a blind computer programmer so we're very proud of that record.

Senator NICKLES. How many people go through the control academy every year?

Mr. CASTLEBERRY. As far as the basic level, that's about 3,500 this year for initial air traffic and initial radar. It will be over 7,000 this next year. We're also adding additional radar training which will be a special project that starts next week; as a matter of fact, we're going to take some of the controllers from Chicago, train them here in radar, then they will return to Chicago. This is a new innovation that starts tomorrow, as a matter of fact.

Senator NICKLES. Well, again, you do some fantastic work and I compliment you for it.

I also understand that today's your 50th birthday, and so my congratulations. And for you to take time out and join us—I appreciate it very much.

Mr. CASTLEBERRY. Thank you.

Senator NICKLES. Back to some of our other panelists. Mr. Walker, would you care to be first?

Rockwell International is an outstanding company, one of the prime contractors in the State of Oklahoma. You're a large part of that $700 million that I've mentioned. You're one of our leading companies in the State. We're very proud—I'll just throw in a little editorial comment—of the work that you're doing on the B-1 as prime contractor. I will also tell you this Senator doesn't believe that 100 B-1 bombers is adequate, and we're now debating whether to extend that to make an additional 48, which I strongly support. And we'll work on that, as well.

I know you're here as director of material, and please proceed.

STATEMENT OF DONALD T. WALKER, DIRECTOR OF MATERIAL, TULSA FACILITY, ROCKWELL INTERNATIONAL CORP., TULSA, OK

Mr. WALKER. Thank you, Mr. Chairman. You know, as director of material at Rockwell, I also have the responsibility to assure not only the Government but my company, our corporation, that the small business goals that we have set for ourselves are fulfilled to the utmost. The small business liaison person at Tulsa reports to me; I appoint that person and am responsible for that person's activity. Unfortunately she couldn't be here today. It would have been good for her; this is a very, very outgoing and aggressive person in the world of small business.

I would like to say for the corporation that we certainly appreciate the opportunity to tell you about our program, our small business, our small and disadvantaged business program. The programs have been successful, and I feel this—that without the outreach elements of our program, the successes would not be what they are today. And I think that I'll probably deviate from the formal text that we submitted. I would like for everybody that's here today to get a copy of that text, and I think a lot of the examples that are shown in there would be very pertinent to a lot of the prior testimony that was given here. I say we're proud of it. I'm very proud of it.

By way of background—and thank you for the introduction of the company—Rockwell is one of those big guys that somebody was talking about earlier. We are an $11 billion sales corporation. We are a high tech corporation. We have—we're in a variety of product areas. We're very deeply into aerospace, of course; electronics, automotive, our general industries business covers everything from the water meter that goes into the ground at your house to the most sophisticated graphic printing equipment in the world. However, the major organizations that we have that contribute to or are involved in Government procurement are our defense electronics operations; of course, our North American aircraft operations; and our North American space operations. Those three—their businesses are going to be the things that I want to discuss today, of course.

I would like to make some emphasis on the point that our small business program at Rockwell was founded long before any of the legislation defined that it would be a legal program involved. I've been with the company—I've been in the procurement business with Rockwell, and its predecessor company, North American Aviation, for over 30 years. Small business has been something that we have dedicated ourselves to for at least the period of time that I've been involved in procurement. We established our program because of the need to procure from those small business elements, and we've had a very strong dependence on them ever since. In our minds, it makes good sense to procure from that base from an economic standpoint as well as from the standpoint of sharing the technology available on the street. If we had to hire those people that would be required at any peak time in the aerospace business, we would probably be laying off or hiring and laying off constantly. With that good small business base out there, we can depend on them to deal with us at the time of renewal of those peaks, and hopefully there will be another peak from another company to offset us when we're gone. So that's the good business base where it helps us. We don't have to hire that cadre of facilities involved that small business provides to us. There's a heck of a good economic benefit to Rockwell, as well as the country, through the expenditures saved on those programs.

As I say, we're proud of our small and disadvantaged business programs. I won't get into a lot of statistics, necessarily; I will talk to 1985's involvement. Our 1985 total small business commitment or procurement under Government contracts and Government programs was a little in excess of $1.5 billion. That's been—we've seen a consistent growth in that kind of spending by small business for years and years now. It has been consistent. I've got a couple of numbers here for the 2 years prior to that. In 1983, the total corporation commitment to small business was slightly over $700 million; then in 1984, it grew then to a little over $1.1 billion, and we beat that in 1985 by another couple of hundred million dollars.

Talk about the outreach portion of the program somewhat. We have buyer training programs that have heavy emphasis on dealing with small business, dealing with disadvantaged business, dealing with the handicapped. We do expand beyond those buyer training courses into the industry itself. The types of things that we offer to small business get into a little bit more detail there as to how we offer that. We talk to them as to how we would want them to request to one of our quotations. We deal in a lot of depth with new companies in terms of how to respond to these quotes. We get into a lot of detail with small business relative to the cost/pricing aspects of Government procurement. Financial management always is a problem for small business to deal with in terms of the regulation requirements.

We provide management assistance to them throughout the programs that they may secure through the procurement activity. Quality control is something that's very difficult for new small businesses getting into the Government world. We do participate in this way through training seminars, small business association meetings, as well as right on our own facilities.

A little more information on outreach. During 1985, for example, we at Rockwell participated in 80 small business conferences or meetings nationwide. I say nationwide; there were about 40—I know at least 40 States that were involved, and at least 27 States where we actually gave briefings, were involved in trade seminars, and so forth. One—Los Angeles, CA, of course, in the southern California basin is probably the largest aerospace center in the United States, and we have the honor of having chaired, just a couple of months ago in January, the largest minority business opportunity day fair that's ever been held. There were well over a thousand minority business representatives in attendance there; 778 companies were involved in that conference.

You know, there was some testimony earlier——

Senator NICKLES. Can you speak into the microphone more?

Mr. WALKER. There was quite a bit of testimony earlier today that dealt with the difficulties in coping with the laws and regulations imposed on us through the contract tools. There was something said about an airplane having to haul a proposal from Rockwell to a customer.

Senator NICKLES. Was that accurate? That was my statement.

Mr. WALKER. I think it was pretty close to accurate, Senator.

I'll tell you, however——

Senator NICKLES. It's no prerequisite, coming from a Senator, that it has to be accurate.

Mr. WALKER. That probably wasn't the first time one of them on a proposal——

Senator NICKLES. I had heard that. That's the reason that I——

Mr. WALKER. No; it's a true story.

Senator NICKLES. We need to move on, because we're in a time bind, as well.

Mr. WALKER. Let me make one statement further on that. If you get a solicitation from Rockwell in Tulsa, it won't take a bicycle to carry that proposal. Well make sure that it's not that big.

I guess in closing, I'd just like to say that Rockwell will help, can help, and is very interested in participation of small business activities. And with that, I will close. Thank you for letting Rockwell participate.

[The prepared statement of Mr. Walker follows:]

STATEMENT OF DONALD T. WALKER
ROCKWELL INTERNATIONAL CORPORATION

MR. CHAIRMAN AND DISTINGUISHED MEMBERS OF THE COMMITTEE:

MY NAME IS DON WALKER. I AM DIRECTOR OF MATERIAL FOR ROCKWELL INTERNATIONAL'S TULSA FACILITY. ROCKWELL APPRECIATES THE OPPORTUNITY TO PRESENT INFORMATION ABOUT OUR SMALL BUSINESS PROGRAM. WE FEEL THAT ROCKWELL'S OUTREACH EFFORTS TOWARD ASSISTING SMALL BUSINESS HAS BEEN SUCCESSFUL AND CONTINUES TO CONTRIBUTE TOWARD OUR PROGRAM'S EFFECTIVENESS. WE WELCOME THE OPPORTUNITY TO SHARE OUR EXPERIENCE.

BY WAY OF BACKGROUND, ROCKWELL IS AN $11 BILLION, MULTI-INDUSTRY COMPANY APPLYING ADVANCED TECHNOLOGY TO A WIDE VARIETY OF PRODUCTS IN ITS AEROSPACE, ELECTRONICS, AUTOMOTIVE, AND GENERAL INDUSTRIES BUSINESSES. OUR MAJOR ORGANIZATIONS INVOLVED IN GOVERNMENT PROCUREMENT INCLUDE DEFENSE ELECTRONICS OPERATION, NORTH AMERICAN AIRCRAFT OPERATIONS AND NORTH AMERICAN SPACE OPERATIONS. IT IS THESE BUSINESS AREAS AND THEIR PROGRAMS I WILL BE DISCUSSING TODAY.

THROUGHOUT THESE OPERATIONS WE ARE CONDUCTING A SMALL AND SMALL DISADVANTAGED BUSINESS PROGRAM THAT HAS PRODUCED RESULTS AND MADE A DIFFERENCE IN THE SMALL BUSINESS ECONOMY. WE BELIEVE THE ORGANIZATION, POLICIES AND PROCEDURES WE HAVE DEVELOPED AND

IMPLEMENTED OVER THE YEARS HAVE RESULTED IN A PROGRAM EXCEEDING THE REQUIREMENTS ESTABLISHED BY GOVERNMENT LAWS AND REGULATIONS.

MR. CHAIRMAN, I WOULD LIKE TO EMPHASIZE THAT OUR SMALL BUSINESS PROGRAM WAS NOT FOUNDED AS A RESULT OF GOVERNMENT LEGISLATION OR GOVERNMENT URGING. WE ESTABLISHED OUR PROGRAM MORE THAN 30 YEARS AGO AND IT WAS IN RECOGNITION OF OUR NEED TO PROCURE FROM SMALL BUSINESS AND OUR DEPENDENCE UPON IT. IT IS COMMON SENSE AS WELL AS GOOD BUSINESS SENSE TO EMPLOY THE SPECIALIZED SKILL AND FACILITIES OF SMALL FIRMS FOR MANY TASKS. THEIR CAPABILITIES HAVE HELPED US REMAIN COMPETITIVE. TO DEVELOP SIMILAR SKILLS IN-HOUSE AND SPEND THE NECESSARY CAPITAL FOR EQUIPMENT AND FACILITIES WOULD HAVE BEEN UNECONOMICAL. MOREOVER, WE WOULD NOT BE ABLE TO FULLY EMPLOY THESE EXTRA FACILITIES AND CAPABILITIES OVER A PROLONGED PERIOD OF TIME.

WHEN A SMALL OR DISADVANTAGED BUSINESS CONCERN HAS THE CAPABILITY TO SUPPORT OUR REQUIREMENTS, IT IS ONLY LOGICAL THAT IT SHOULD BE ABLE TO PRODUCE CERTAIN PRODUCTS AND COMPONENTS MORE COMPETITIVELY THAN WE COULD. IN SHORT, WE BELIEVE DOING BUSINESS WITH SMALL FIRMS IS JUST "GOOD BUSINESS PRACTICE". AS A RESULT, OUR MANAGEMENT RECOGNIZES THE IMPORTANCE OF NOT ONLY KEEPING APPRISED OF THE CAPABILITIES AND POTENTIAL OF SMALL AND DISADVANTAGED BUSINESSES BUT ALSO THE EQUAL IMPORTANCE OF DEVELOPING SMALL AND DISADVANTAGED COMPANIES TO KEEP PACE WITH THE GROWING SOPHISTICATION AND COMPLEXITY OF INDUSTRY REQUIREMENTS AND NEW TECHNOLOGY.

FOLLOWING OUR DEFINED POLICIES AND PROCEDURES ESTABLISHED BY THE CORPORATE SMALL BUSINESS LIAISON OFFICER, EACH COMPANY LOCATION IS RESPONSIBLE FOR ASSURING COMPLIANCE WITH THE CORPORATION'S SMALL/SMALL DISADVANTAGED BUSINESS PROGRAM.

ROCKWELL IS PROUD OF ITS SMALL/SMALL DISADVANTAGED BUSINESS PROGRAM AND OF ITS COMMITMENTS TO SMALL BUSINESS WHICH EXCEEDED $1,560,000,000 IN FISCAL YEAR 85. THIS REPRESENTS SIGNIFICANT AND CONSISTENT GROWTH EACH YEAR SINCE INCEPTION OF OUR PROGRAM. THE INCREASED AWARENESS THROUGHOUT OUR CORPORATION, AND THE NEW AND INNOVATIVE WAYS OUR PEOPLE HAVE DEVELOPED OUR OUTREACH EFFORTS ARE ATTRIBUTABLE TO MANAGEMENT'S CONCERN AND DIRECT INVOLVEMENT.

IN CONJUNCTION WITH OUR BUYER TRAINING EFFORTS, ROCKWELL IS ACTIVELY INVOLVED IN THE DEVELOPMENT OF TRAINING COURSES TO AID SMALL BUSINESS AND PROVIDES GUEST SPEAKERS TO DISCUSS THE FOLLOWING SUBJECTS: (1) RESPONDING TO A REQUEST FOR QUOTATION, (2) COST, PRICING AND NEGOTIATION, (3) FINANCIAL MANAGEMENT, (4) SOURCES OF MANAGEMENT ASSISTANCE, (5) PREAWARD AND POSTAWARD CONTRACT MANAGEMENT, (6) EFFECTIVE QUALITY CONTROL. THESE TRAINING SEMINARS HAVE TAKEN PLACE AT SMALL BUSINESS CONFERENCES, TRADE FAIRS, SMALL BUSINESS ASSOCIATION MEETINGS AND ROCKWELL FACILITIES.

In conformance with guidelines established in Rockwell Corporate procedures, special small/small disadvantaged business task forces have been formed at a number of our divisions. Such groups are generally made up of members of quality assurance, finance, manufacturing, engineering, facilities and industrial engineering and procurement. Their charter is to provide assistance to small/small disadvantaged businesses from pre-award survey and proposal effort through contract award and contract completion. This assistance may consist of interpretation of specifications, understanding government accounting and on-site technical assistance.

Rockwell's outreach efforts are nationwide, evidenced by our involvement in over 80 small business conferences and meetings during 1985. Rockwell often takes a leadership role in these conferences and serves on committees. In Los Angeles, California, during January 1986, Rockwell chaired the largest minority business opportunity day trade fair ever held.

By combining our individual experiences in small/small disadvantaged business procurement at each division, we have established methods and goals which combine the best features of each of our individual programs. Annual small business administrator meetings enable us to share valuable experiences with each other to enhance our small business programs. It is through this team effort that we are able to set and achieve challenging small/small

DISADVANTAGED BUSINESS GOALS.

ROCKWELL WORKS WITH MANY SMALL AND MINORITY TRADE ASSOCIATIONS, REPRESENTATIVE OF THESE ARE THE LATIN BUSINESS ASSOCIATION, BLACK BUSINESS ASSOCIATION, UNITED INDIAN DEVELOPMENT ASSOCIATION, ASIAN BUSINESS ASSOCIATION, NATIONAL MINORITY SUPPLIER DEVELOPMENT COUNCIL, SMALL BUSINESS DEVELOPMENT CENTERS, AND DEPARTMENT OF DEFENSE AREA SMALL BUSINESS COUNCILS.

EXAMPLES OF "HANDS ON ASSISTANCE" ARE DETAILED IN THE FOLLOWING:

ITEM I:

BASED ON A RECOMMENDATION TO DOE AN 8(A) CONTRACT WAS ISSUED TO NEW BEDFORD PANORAMEX, A SMALL DISADVANTAGED BUSINESS IN SANTA FE SPRINGS, CALIFORNIA, FOR THE DESIGN AND FABRICATION OF CONTROL PANELS. ROCKWELL ENGINEERING, DESIGN, AND INSPECTION PERSONNEL WERE INVOLVED IN EXTENSIVE MEETINGS WITH NEW BEDFORD PANORAMEX IN DEVELOPING PROCEDURES AND METHODS TO BE USED IN THE DESIGN AND FABRICATION EFFORT. THIS CONTRACT IS ESTIMATED AT APPROXIMATELY $500,000 PER YEAR.

ITEM II:

FACILITIES ENGINEERING AND QUALITY ENGINEERING OPERATIONS PERSONNEL HAVE PROVIDED PREAWARD SURVEY ASSISTANCE TO SMALL BUSINESSES, BOTH LOCALLY AND NATIONALLY BY DEVELOPING CAPABILITY TO FURNISH STAINLESS STEEL FABRICATIONS SUCH AS GLOVEBOXES AND TANKS. ASSISTANCE IS TYPICALLY PROVIDED IN DEVELOPING WELD PROCEDURES, PLANT LAYOUT AND INSPECTION TECHNIQUES. PROCUREMENTS FROM SMALL BUSINESS IN THIS AREA AMOUNT TO APPROXIMATELY $2 MILLION PER YEAR.

ITEM III:

HYDROTECHNIQUE ASSOCIATES, A SMALL DISADVANTAGED COMPANY, WAS BASICALLY A TWO PERSON COMPANY. THEY HAD TALENT BUT WERE SHORT ON CASH. WITH THE AWARD OF THEIR FIRST CONTRACT WITH ROCKWELL ON JULY 20, 1983, IT WAS NECESSARY FOR THE BUYER AND COST ANALYST TO WORK WITH THE REQUISITIONER TO RE-STRUCTURE THE STATEMENT OF WORK INTO TASKS SO THAT THE COMPANY COULD BE PAID AT THE COMPLETION OF EACH TASK. IT WAS ALSO NECESSARY FOR THE BUYER TO CLOSELY MONITOR THE PROCESSING OF INVOICES TO ENSURE PROMPT PAYMENTS WERE MADE. THIS PROCEDURE WORKED WELL THROUGH FY83 AND FY84, DURING WHICH AWARDS WERE MADE TOTALING $276,767.00. DURING FY85, TWO ADDITIONAL AWARDS WERE MADE FOR $97,381.00. THE COOPERATION BETWEEN THE BUYER, REQUISITIONER, AND THE COST ANALYST RESULTED IN BRINGING THIS SMALL DISADVANTAGED COMPANY INTO CONSIDERATION FOR CONTRACTS OF $100,000 AND ABOVE.

ITEM IV:

ROCKWELL'S MISSILE SYSTEMS DIVISION (MSD) ENGINEERING AND MATERIAL PERSONNEL THROUGH THE SMALL BUSINESS OFFICE ASSISTED

FOSTER TOOL AND DIE OF NORCROSS, GEORGIA, IN THEIR EFFORTS TO SECURE GOVERNMENT TYPE SUBCONTRACTS BY GIVING DIRECTIONS CONCERNING MATERIALS, SPECIFICATIONS AND ASSISTANCE INTERPRETING DRAWINGS AND REQUIREMENTS. FOSTER HAS GONE ON TO BECOME A MIL SPEC 45-208 COMPANY PROVIDING QUALITY MACHINED PARTS TO MSD. WITH ENCOURAGEMENT FROM THE MSD ENGINEERING DEPARTMENT, FOSTER TOOL AND DIE IS NOW IN THE PROCESS OF ESTABLISHING A SHEET METAL DEPARTMENT TO PROVIDE THE SAME HIGH QUALITY MIL SPEC SHEET METAL PARTS.

ITEM V:

ROCKWELL WAS CONTACTED IN THE LATTER PART OF 1982 TO ASSIST IN SUBCONTRACTING IN PITTSBURG COUNTY, OKLAHOMA -- A LABOR SURPLUS AREA. THROUGH SEVERAL COORDINATING MEETINGS BETWEEN ROCKWELL TULSA/ MCALESTER MANAGEMENT AND CONCERNED PITTSBURG COUNTY OFFICIALS, IT WAS DETERMINED THAT ROCKWELL COULD OFF-LOAD THEIR WIRE CUTTING OPERATION. A CONTRACT WAS LET IN JULY 1983 TO SOUTHEASTERN WAREHOUSING & SERVICING CORP., A SMALL BUSINESS IN THE ABOVE AREA. DUE TO THEIR EXCELLENT PERFORMANCE, THIS HAS RESULTED IN ADDITIONAL FOLLOW-ON CONTRACTS. THE COST TO ROCKWELL HAS BEEN LESS THAN WHEN THE TASK WAS PERFORMED IN-HOUSE. INITIALLY, SPECIAL ASSISTANCE TO THIS COMPANY INCLUDED DAILY COORDINATION WITH ROCKWELL'S PLANNING, PURCHASING AND QUALITY ASSURANCE ORGANIZATIONS AND ESTABLISHMENT OF AN ACCEPTABLE DELIVERY SCHEDULE.

ITEM VI:

ASSOCIATED TECHNOLOGIES, INC. RECEIVED A $5,654,000 AWARD ON FEBRUARY 28, 1986, AFTER WHICH ROCKWELL BUYERS, ENGINEERS, QUALITY ASSURANCE EXPERTS, AND COST ANALYSTS ASSISTED THEM IN PRE-SURVEY ASSISTANCE BY PROVIDING INFORMATION TO THE SUPPLIER REGARDING LAW AND REGULATIONS AND INFORMATION TO UNDERSTAND REQUIREMENTS FOR DCAA AUDITING. THE PROPOSAL WAS CHECKED IN DETAIL FOR PROPER STAFFING REQUIREMENTS AND SUBASSEMBLY INFORMATION. EXTENSIVE INTERFACE WITH THE COMPANY RESULTED IN RESOLVING TECHNICAL ISSUES OF THE PROPOSAL PRIOR TO FINAL ACCEPTANCE. FINANCIAL COST AND PRICING DATA WERE EXPLAINED RELATIVE TO GOVERNMENT ACCOUNTING; DISALLOWABLE G & A COSTS WERE ALSO EXPLAINED. AFTER AWARD, ROCKWELL PROCUREMENT MONITORED THE CONTRACT TO ASSURE THAT PAYMENT WAS MADE IN A TIMELY MANNER TO ASSURE THAT CASH FLOW WAS MAINTAINED DURING PERFORMANCE OF THE CONTRACT.

ITEM VII: DEVELOPMENT OF SMALL BUSINESSES IN THE MIDWESTERN UNITED STATES.

DURING THE PAST FIVE YEARS, ROCKWELL'S TULSA FACILITY HAS BEEN SUCCESSFUL IN RE-ESTABLISHING AN ESTIMATED 30 - 40% OF ITS COMPLEX 3, 4, AND 5-AXIS MACHINED PART AND SHEET METAL FABRICATION EFFORT FROM THE HEAVILY CONGESTED AEROSPACE ORIENTED SOUTHERN CALIFORNIA AREA TO SMALL BUSINESSES IN THE MIDWEST.

THE NET RESULT OF THIS OUT-REACH EFFORT HAS BEEN INCREASED MANUFACTURING SUPPORT THROUGH IMPROVED CAPABILITY BY HAVING THE

SUPPLIER BASE LOCATED CLOSER TO THE TULSA FACILITY, WHILE PROVIDING TECHNICAL ASSISTANCE IN A TIMELY MANNER.

THE BELOW LISTED SUPPLIERS WERE NEWLY ESTABLISHED DURING THE PAST TWO TO THREE YEARS. WHILE SOME HAVE HAD PREVIOUS AEROSPACE EXPERIENCE, THEIR NEW ASSOCIATION WITH OUR TULSA FACILITY HAS HELPED ENSURE LONGEVITY AND EMPLOYMENT FOR CONSIDERABLE NUMBERS OF INDIVIDUALS IN THEIR RESPECTIVE AREAS:

COLORADO	ACCUTOOL
	PRECISION MACHINE PRODUCTS
NEW MEXICO	ACOMA CORPORATION
	CARLTON ENGINEERING
	CONTINENTAL MACHINING CO.
	CORONADO MACHINE
	K. L. STEVENS CO., INC.
	SERBIN MACHINING, INC.
	ROCKY MOUNTAIN TESTING, INC.
	KAEHR PLATING & METAL FINISHING
	SEELEY PRECISION MACHINING & FABRICATION
TEXAS	CYCO MANUFACTURING CO.
	H. M. DUNN
	PUTOMA CORPORATION
	TRIANGLE MACHINE & MANUFACTURING CO., INC.
OKLAHOMA	PRECISION MACHINE & MANUFACTURING CO.
	RUTHERFORD QUALITY MACHINE & MANUFACTURING CO.
	AEROTRON TOOL & MANUFACTURING CO.
	MIDWEST FABRICATION, INC.

OKLAHOMA	E & R Machine Oklahoma Aerotronics, Inc.
TENNESSEE	Associated Machines
KANSAS	Magic Circle Sektam, Inc.

Overall supplier support is provided through efforts from several functional groups within Rockwell including procurement, quality and engineering. Purchasing has played a major role in accomplishing introduction, development and growth of midwestern machine and sheet metal fabrication small businesses into the aerospace industry.

ITEM VIII:

Hughes - Treitler Mfg. Corporation, Garden City, NY

B-1B Heat Exchangers, a $5 million contract. This source was not used on the original B-1A Program and was qualified as a "second source" on the B-1B Program for purposes of schedule support. Special Rockwell engineering/manufacturing team was established to assist source in qualification requirements. Rockwell assistance allowed source to consistently remain "ahead of schedule" on delivery. Assistance by quality and manufacturing has ensured an excellent product. Special monitoring of progress payments have eased cash flow requirements at source. Regularly scheduled Bi-monthly meetings between Rockwell and Hughes-Treitler maintain open channels of communication.

ITEM IX:

UNITED AIRCRAFT PRODUCTIONS, FOREST, OHIO

B-1B PRE-COOLERS, A $28 MILLION CONTRACT. THE ORIGINAL B-1A PRE-COOLERS WERE STAINLESS STEEL. THE CURRENT B-1B PRE-COOLERS ARE AN "INDUSTRY FIRST"; (1) UNITS ARE FABRICATED OF INCONEL MATERIAL -- NEVER TRIED BEFORE. REQUIRED EXTREMELY CLOSE MANUFACTURING RELATIONSHIP BETWEEN ROCKWELL AND SOURCE, (2) ROCKWELL ENGINEERING PROVIDED SPECIAL "TEAM" ASSISTANCE IN SHAPE DESIGN AND IN WORKING WITH THE INCONEL, AND (3) SPECIAL ASSISTANCE WAS PROVIDED IN THE WELDING PROCESS -- THIS AGAIN WAS AN "INDUSTRY FIRST". MATERIAL AND PRODUCTION PERSONNEL REMAINED "ON-SITE" TO ASSIST IN MANUFACTURING OF FIRST ARTICLE.

A SPECIAL WAIVER SYSTEM WAS ESTABLISHED TO ALLOW FOR "FIT-CHECK" ON AIRCRAFT -- THIS RELIEVED SOURCE OF POTENTIAL QUALITY PROBLEMS DUE TO SYSTEM NOT BEING FORMALLY "BOUGHT-OFF" UNTIL INSTALLED. MONITORED PROGRESS PAYMENTS HAVE BEEN PROVIDED. REGULARLY SCHEDULED MONTHLY MEETINGS MAINTAIN GOOD COMMUNICATION AND RESOLVE SPECIFIC PROBLEMS. THIS COMPANY HAS MAINTAINED AN EXCELLENT DELIVERY SCHEDULE.

WE TRUST THAT THE FOREGOING DESCRIPTION OF ROCKWELL'S EFFORTS TO CREATE THE PROPER ENVIRONMENT TO MAXIMIZE CONTRACT OPPORTUNITIES FOR SMALL AND SMALL DISADVANTAGED BUSINESSES HAS BEEN HELPFUL TO THE COMMITTEE. FOR REASONS EXPRESSED HEREIN, ROCKWELL WILL, FOR ITS OWN AND THE PUBLIC INTEREST, CONTINUE TO ACTIVELY PURSUE THE PROGRAMS DESCRIBED IN THE ABOVE TEXT.

THANK YOU FOR LETTING ROCKWELL INTERNATIONAL TESTIFY TODAY.

ROCKWELL INTERNATIONAL - TULSA

GFY 1985

COMMITMENTS TO SMALL & SMALL DISADVANTAGED BUSINESSES

ALABAMA	$ 839	MINNESOTA	$ 11,583
ARKANSAS	64,168	MISSOURI	19,817,476
ARIZONA	1,349,512	NORTH CAROLINA	4,512
CALIFORNIA	56,488,493	NEW HAMPSHIRE	9,311
COLORADO	558,627	NEW JERSEY	523,394
CONNECTICUT	9,153	NEW MEXICO	276,724
FLORIDA	470,640	NEVADA	3,340
GEORGIA	45,625	NEW YORK	701,362
IDAHO	80,792	OHIO	384,404
ILLINOIS	39,998	OKLAHOMA	30,472,123
INDIANA	424,194	TENNESSEE	212,240
KANSAS	8,867,978	TEXAS	5,470,874
LOUISIANA	43	UTAH	1,154
MAINE	1,762	VIRGINIA	35
MARYLAND	111,695	VERMONT	206,232
MASSACHUSETTS	1,190,830	WASHINGTON	10,271,209
MICHIGAN	435,025	WISCONSIN	280

ROCKWELL INTERNATIONAL - TULSA

GFY 1985

COMMITMENTS TO SMALL & SMALL DISADVANTAGED BUSINESSES

LOCATED IN OKLAHOMA - BY CITY

TULSA	$ 25,479,624
GROVE	1,910,615
OKLAHOMA CITY	935,349
McALESTER	500,421
HARTSHORNE	331,940
BROKEN ARROW	217,196
COLLINSVILLE	191,749
SAPULPA	47,969
YALE	40,136
SPERRY	38,790
OWASSO	31,758
MUSKOGEE	25,153
STILLWATER	20,635
CATOOSA	18,096
OKEMAH	14,009
CLAREMORE	2,598

Senator **Nickles**. Thank you. We appreciate again the contribution that you're making.

Our next panelist that we have is Mr. Frank Jerd, who is vice *president of sales for* North America for Telex in Tulsa, OK.

STATEMENT OF FRANK JERD, VICE PRESIDENT OF SALES FOR NORTH AMERICA, TELEX COMPUTER PRODUCTS, INC., TULSA, OK, ACCOMPANIED BY RONALD SMITH, VICE PRESIDENT, FEDERAL GOVERNMENT MARKETING

Mr. **Jerd**. Senator, on behalf of Telex, I'm very pleased to be part of the hearing. We're very sympathetic and empathetic to small business. As much as Telex has major subsidies and a major employer in Oklahoma, we compete against a company who is a dominant force in the industry; we're competing for approximately 100 times larger than ourselves, so we certainly feel dwarfed by our competition, as well.

In respect to time, I'd like to defer to Ron Smith, who is our vice president in development and marketing, to summarize the statement, if he would.

Senator **Nickles**. OK, Mr. Smith?

Mr. **Smith**. Senator, as a Government supplier, we are subject to the same Federal acquisition regulations as any company doing business with the Government. In addition to being suppliers of computer and telecommunications equipment, we enjoy the benefits of some special regulations. Perhaps the most important of these is the Brooks Act, which designated the General Services Administration as the sole buying authority for computer and telecommunication products for the Government. In fact, GSA has the ability to issue a delegation of procurement authority—a DPA—to individual Government agencies. It makes very liberal use of that authority. It does, however, require the agencies to take certain steps to maximize fair and open competition.

One of the policies of GSA is to encourage the establishment of central selection offices. For example, the Navy's Automatic Data Processing Selection Office, ADPSO, in Washington; the Air Force's Computer Acquisition Center outside of Boston; and the Social Security Administration's Contracts and Grants Management Branch out of Baltimore. These selection offices normally handle the more complex and larger procurements for their respective agencies; they are staffed, for the most part, with professional, knowledgeable and competent individuals. Particularly, procurements that come out of these shops are very, very professional and well managed; unfortunately, they're not able to meet all of the procurements, and as a result we find ourselves dealing frequently with smaller regional offices that may be subject to undue influence from the end user or local salesman. As a result, we sometimes see specs that are completely——

Senator **Nickles**. Could you speak into the microphone more?

Mr. **Smith**. We sometimes see specifications that have been poorly developed and unintentionally favor one vendor over another. These poorly managed procurements often cause the Government to buy the wrong or a more highly priced product than would have been procured under a more competitive process. Congress has taken steps through the Competition in Contracting Act, CICA, that General Smith mentioned earlier this morning, to improve the ability of the vendor community to protest procurement or awards they feel have been improperly made. Under CICA, a GSA contract board of appeals was established that allows a bidder, or a subcontractor to that bidder, to place a protest before GSA within 10 days after becoming aware of an improper procedure. GSA first establishes if the protest has validity, that it's not a frivolous protest, then gathers the evidence and is required to issue a judgment within 45 days. Since CICA has been in effect, the overwhelming number of protests that have been lodged have effectively been found in favor of the vendors in the community, and I might mention, in a timely manner. Prior to CICA, the only route to lodge a protest was through the General Accounting Office, and rarely were judgments found in favor of the vendor through that avenue.

Both the Brooks Act and the CICA have had very positive effects on ensuring the Government competitively buys computer equipment. However, we believe more can be done to benefit ourselves and other Oklahoma-based firms. We find that as a direct result of our Oklahoma heritage, we are able to produce a more fully featured quality product at a lower cost. The cost to produce this product is significantly reduced thanks to the stability and quality of our headquarters staff and our Oklahoma-based manufacturing personnel. Over 20 percent of all Telex employees are Oklahoma-based people. This allows us to compete with the giants of Silicon Valley and Armonk, NY, but because of our smaller size we're not able to compete with massive advertising budgets or large sales staffs that can at times improperly influence specs.

In order to improve our competitive position, we would like Congress to encourage GSA to demand the various Government agencies to make more use of their central computer selection officers. We believe budget funds must be increased for the central selection offices so they can be staffed adequately. Additionally—and specifically in the computer area—we feel that Congress should support more standardization in the area of higher interfaces to allow more mix and matching of computer products from various vendors to achieve a more effective cost system for the Government.

Finally, I would like to comment on what Telex is doing to ensure we take maximum advantage of Oklahoma-based talents in our Federal marketing efforts. Art this time we're updating our policy and plan for subcontracting with small business and small and disadvantaged businesses as required by chapter 8(a) of the Small Business Act and the Federal acquisition regulations. The procurement personnel and management of our manufacturing and support divisions are being made aware of our obligations in this area. Additionally, we are preparing lists for them of local companies who qualify for inclusion as a small or small and disadvantaged local business.

If there are any representatives here that would qualify for inclusion in the SBA definitions, we would definitely like to hear from them.

Again, thank you for this opportunity to participate today. We're looking for more Federal business for Oklahoma, too.

[The prepared statement of Mr. Smith follows:]

TELEX COMPUTER PRODUCTS, INC.

FEDERAL MARKETING REGION

22 March 1986

Frank Jerd
Vice President
Sales
(918) 627-1111

Ronald S. Smith
Vice President
Federal Marketing
(703) 642-7598

Robert Rutledge
SB/SDB
Coordinator
(918) 628-2327

TELEX® TELEX COMPUTER PRODUCTS, INC

TELEX

Good morning! Thank you for the opportunity to participate in this Forum. My name is Ron Smith, Vice President Federal Marketing, and this is Frank Jerd, Vice President No. American Sales for Telex Computer Products. We are collectively responsible for Telex Computer Products sales to the Federal Government and to prime contractors involved in sales to the Government. Telex Computer Products is a Tulsa based company originally founded there some 50 years ago. We provide Data Processing and Telecommunications products and services worldwide. Our overall sales are in excess of $600M and we employ 6,000 employees. Some 1,300 of our employees are located in Oklahoma. An excess of $20M in products and a similar value in services will be provided to the Federal Government in our FY86 ending this month.

As a Government supplier, we are subject to the Federal Acquisition Regulations (FAR's) as is any company doing business with the Government. Additionally, as a supplier of computer and telecommunications equipment, we benefit from some specific regulations governing those products. The most important of these is the Brooks Act passed in 1965. I designated the General Services Administration (GSA) as the agency solely responsible for the acquistion of computer and telecommunication products for the Federal Government. GSA has the ability to issue a "Delegation of Procurement Authority" (DPA) to individual agencies. In fact, GSA makes liberal use of this policy but requires the agencies take certain steps to maximize fair and open competition.

One of the duties of GSA is to encourage the establishment of central selection offices, eg., the Navy's Automatic Data Processing Selection Office (ADPSO) in Washington, the Air Force's Computer Acquisition Center (AFCAC) near Boston, and the Social Security Administration's Contracts and Grants Management Branch in Baltimore. These Selection Offices normally handle the more complex and larger procurements for their respective agencies. For the most part, they are staffed with professional, knowledgeable and competent individuals experienced in this kind of procurement. Additionally, these Offices will frequently forecast anticipated procurements well in advance and solicit comments from the industry regarding specifications to ensure they are requesting state-of-the-art capabilities. At the same time, they try to avoid releasing specifications that are restrictive and would result in only one or two proposals being submitted. They are unfortunately not able to do all of these procurements and we frequently find ourselves dealing with smaller regional offices that may be subject to undue influence from end users or local salesmen. As a result, we sometimes see specifications that have been poorly developed and they unintentionally favor one vendor over another. These poorly managed procurements often cause the Government to buy the wrong or a more higher priced product than would have been procured under a more competitive process. However, Congress has recently taken steps through the Competition In Contracting Act (CICA) to improve the ability of the vendor community to protest procurement or awards that are improperly made. CICA established a GSA Contract Board of Appeals which allows a bidder, or a subcontractor to that bidder, to place a protest before GSA within 10 days after becoming aware of an improper procedure. GSA first establishes if the protest has merit and then must issue a judgment within 45 days. Since CICA has been in force, the overwhelming number of protests have effectively been found in favor of the vendors and in a very timely manner. Prior to CICA, the only route to lodge a protest was through the General Accounting Office (GAO) and rarely were judgments found in favor of the vendor.

The Brooks Act and CICA have had very positive benefits in ensuring the Government competitively buys computers and telecommunication equipment, however, we believe more can be done to benefit ourselves and other Oklahoma based firms. We find that as a direct result of our Oklahoma heritage, we are able to produce a more fully featured, quality product at a lower cost. The cost to produce this product is significantly reduced thanks to the stability and quality of our Headquarters and our Oklahoma based manufacturing personnel. This allows us to compete with the giants from Silicon Valley and Armonk, New York, but because of our smaller size we are not able to compete with massive advertising budgets or large sales staffs that at times improperly influence specifications.

In order to improve our competitive position, we would like to see Congress encourage GSA to demand the various Government agencies make more use of their central selection offices. Budget funds must be increased for the central selection offices so they can be staffed adequately. Furthermore, Congress should take steps to encourage the central selection offices to create a more open relationship with the entire vendor community. This can be done by making more use of Requests for Information (RFI) seminars and one-on-one meetings prior to the release of final solicitation documents. This would ensure that the entire vendor community is aware of the Government's requirements and, conversely, the Government buyer can be made aware of any restrictive specifications that he may be planning to use, as well as what is currently available from industry.

Finally, I would like to comment on what Telex is specifically doing to ensure we take maximum advantage of Oklahoma based talents in our Federal Marketing efforts. We are at the present time updating our policy and plan for subcontracting with Small Business and Small Disadvantaged Businesses as required by Chapter 8(A) of the Small Business Act and the FAR's. The procurement personnel and management of our Manufacturing and Support Divisions are being made aware of our obligations in this area. Additionally, we are preparing lists for them of local companies which qualified for inclusion as a Small or Minority Owned Small Business. If there are any Representatives here today that would qualify for inclusion under the SBA definitions, we want to hear from you.

Again, let me thank you for this opportunity to participate today. Telex is looking forward to seeing more Federal business opportunities for Oklahoma as we believe it is important to our overall growth.

TELEX COMPUTER PRODUCTS, INC.

SMALL BUSINESS / SMALL DISADVANTAGED BUSINESS SUBCONTRACTING POLICY AND PLAN

1986

DEFINITIONS

SUBCONTRACT - Any agreement (other than one involving any employer - employee relationship) entered into by a government prime contractor or subcontractor calling for supplies and/or services required for performance of contract or subcontract.

SMALL BUSINESS CONCERN - A concern, including its affiliates, that is independently owned and operated, not dominant in the field of operation in which it is bidding on government contracts, and qualified as a small business under the criteria and size standards in 13 CFR 121.

SMALL DISADVANTAGED BUSINESS CONCERN - A concern which is at least 51 percentum owned by one or more socially and economically disadvantaged individuals; or in the case of any publicly owned business, at least 51 percentum of the stock of which is owned by one or more socially and economically disadvantaged individuals; and whose management and daily business operations are controlled by one or more of such individuals.

The contractor shall presume that socially and economically disadvantaged individuals include Black Americans, Hispanic Americans, Native Americans, Asian-Pacific Americans, and other minorities, or any other individual found to be disadvantaged by the Small Business Administration.

PUBLIC LAW 95-507 - Provides statutory authority to the Small Business Administration to require government contractors to utilize small businesses and small disadvantaged business as subcontractors providing supplies and services for prime contractors. Primary implementation of the law is through federal acquisition regulations (FAR).

CFPP POLICY LETTER 80-2 AND SUPPLEMENT NO. 1 TO 80-2 - Provides regulatory guidance on Section 211 of Public Law 95-507.

PASS SYSTEM - Procurement Automated Source System, helps locate qualified small and small disadvantaged business concerns.

GENERAL DISCUSSION

Our objective is to assure that Small Business Concerns and Small Disadvantaged Business Concerns are given fair and equitable consideration in the procurement procedure. This may include procurement of materials, equipment, supplies and services from various qualified sources. Every good faith effect shall be extended to ensure that our objective is carried out.

Small Disadvantaged Business Concern - A small business concern at least 51 percent owned by socially and economically disadvantaged individuals who have been subjected to racial or ethnic prejudice or cultural bias because of their identity as a member of a group without regard to their individual qualities, and economically disadvantaged individuals are those socially disadvantaged individuals whose ability to compete in the free enterprise system has been impaired due to diminished capital and credit opportunities as compared to others in the same business area who are not socially disadvantaged. Note: For the purpose of this policy statement , the Company presumes that socially and economically disadvantaged individuals include: Black Americans, Hispanic Americans, Asian-Pacific Americans, Asian Indian Americans, Hasidic Jewish Americans and Women.

Policies:

The Company will establish, implement, and administer realistic outreach programs to identify, inform, and develop small business/small disadvantaged business concerns into viable Corporate suppliers.

The Company will establish realistic strategies and objectives to attain greater small business/small disadvantaged business concerns participation in company business and establish regular performance monitoring and reporting systems to assure compliance with approved plans.

The Company will incorporate in all subcontracts and purchase orders related to an identifiable government contract the required small business/small disadvantaged business concerns utilization or subcontract plan clauses.

While the responsibility for successful implementation of this policy lies with Purchasing, it is essential that Purchasing has the full support and active participation of all other divisional activities. Visibility and performance is a divisional responsibility.

None of the provisions of this policy are to be construed as diminishing in any way Purchasing's prime responsibility to provide a quality product, on a timely basis, at a competitive price.

SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESS SUBCONTRACTING POLICY

POLICY

SUBJECT: Small Business/Small Disadvantaged Business Concerns

Policy Type: Corporate

Objectives:

To assure business practices and procedures meet the principles of Public Law 95-507 and conform to federal law and regulation.

To assure Telex Computer Products, Inc. is in compliance with contractual commitments regarding the utilization of small business/small disadvantaged business concerns in its business activities.

To assure that small business/small disadvantaged business concerns are given fair and equitable consideration in all company business activities.

To assure that the Company's responsibility to support the advancement of the free enterprise system as the mechanism which can best satisfy Corporate key interests includes promoting the opportunity for full participation in the system by small business/small disadvantaged business concerns.

To assure that the Company's ability to conduct business with or in partnership with agencies of the Federal Government is not jeopardized by its inability to apply every good faith effort to assure equality and attainment of meaningful results in small business/small disadvantaged business plans or programs.

To assure a minimum of government intervention and to discourage additional regulation by taking the initiative to affirmatively consider small business/small disadvantaged business concerns in its business activities.

Definitions:

Small Business Concern - A concern that meets the pertinent criteria established by the S.B.A.

SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESS SUBCONTRACTING PLAN

ANNUAL COMMERCIAL PRODUCT PLAN

DATE: ____________________

CONTRACTOR: ____________________

ADDRESS: ____________________

SOLICITATION: ____________________

ITEM/SERVICE: ____________________

The following, together with any attachments, is hereby submitted as a Subcontracting Plan to satisfy the applicable requirements of Public Law 95-507 as implemented by CFPP Policy Letter 80-2 and Supplement No. 1 to 80-2.

1. (a) The following percentage goals (expressed in terms of a percentage of total planned subcontracting dollars) are applicable to the contract cited above or to the contract awarded under the solicitation cited.

    (i) Small business concerns: ______% of total planned subcontracting dollars under this contract will go to subcontractors who are small business concerns.

    (ii) Small Disadvantaged Business Concerns: ______% of total planned subcontracting dollars under this contract will go to subcontractors who are small business concerns owned and controlled by socially and economically disadvantaged individuals. This percentage is included in the percentage shown under 1. (a) (i), above, as a subset.

   (b) The total estimated dollar value of all planned subcontracting (to all types of business concerns) under this contract is $____________.

   (c) The following dollar values correspond to the percentage goals shown in (a) above.

    (i) Total dollars planned to be subcontracted to small business concerns: $____________.

    (ii) Total dollars planned to be subcontracted to small disadvantaged business concerns: $__________. This dollar amount is included in the amount shown under 1. (b) (i), above, as a subset.

(d) The following principal products and/or services will be subcontracted under this contract, and the distribution among small and small disadvantaged business concerns is as follows:

(Products/services planned to be subcontracted to small business concerns are identified by * - To small disadvantaged business concerns by **)

____

____

(e) The following method was used in developing subcontract goals (i.e., Statement explaining how the product and service areas to be subcontracted were established, how the areas to be subcontracted to small and small disadvantaged business concerns were determined, and, how small and small disadvantaged business concerns capabilities were determined, to include identification of source lists utilized in making those determinations).

____

____

____

____

(f) Indirect and overhead costs (check one below):

_____ have been _____ have not been

included in the goals specified in 1(a) and 1(c).

(g) If "have been" is checked, explain the method used in determining the proportionate share of indirect overhead cost to be allocated as subcontracts to small business concerns and small disadvantaged business concerns.

____

____

____

____

2. The following individual will administer the subcontracting program:

Name: ______________________________

Address & Telephone: ______________________________

Title: ______________________________

This individual's specific duties, as they relate to the firm's subcontracting program, are as follows:

General overall responsibility for this company's Small Business Program, the development, preparation and execution of individual subcontracting plans and for monitoring performance relative to contractual subcontracting requirements contained in this plan, including but not limited to:

(a) Developing and maintaining bidders lists of small and small disadvantaged business concerns from all possible sources. (See Section IV)

(b) Ensuring that procurement packages are structured to permit small and small disadvantaged business concerns to participate to the maximum extent possible.

(c) Assuring inclusion of small and SDB concerns in all solicitations for products or services which they are capable of providing.

(d) Reviewing solicitations to remove statements, clauses, etc., which may tend to restrict or prohibit SB and SDB participation.

(e) Ensuring periodic rotation of potential subcontractors on bidders lists.

(f) Ensuring that the bid proposal review board documents its reasons for not selecting low bids submitted by small and small disadvantaged business concerns.

(g) Ensuring the establishment and maintenance of records of solicitations and subcontract award activity.

(h) Attending or arranging for attendance of company counselors at Business Opportunity Workshops, Minority Business Enterprise Seminars, Trade Fairs, etc.

(i) Conducting or arranging for conduct of motivational training for purchasing personnel pursuant to the intent of P.L. 95-507.

(j) Monitoring attainment of proposed goals.

(k) Preparing and submitting periodic subcontracting reports required.

(l) Coordinating contractor's activities during the conduct of compliance reviews by Federal agencies.

(m) Coordinating the conduct of contractor's activities involving its small and small disadvantaged business subcontracting program.

(n) Additions to (or deletions from) the duties specified above are as follows:

____

____

____

____

3. The following efforts will be taken to assure that small and small disadvantaged business concerns will have an equitable opportunity to complete for subcontract:

(a) Outreach efforts will be made as follows:

(i) Contacts with minority and small business trade associations.

(ii) Contacts with business development organizations.

(iii) Attendance at small and minority business procurement conferences and trade fairs.

(iv) Sources will be requested from SBA's PASS system.

(b) The following internal efforts will be made to guide and encourage buyers:

(i) Workshops, seminars and training programs will be conducted.

(ii) Activities will be monitored to evaluate compliance with this subcontracting plan.

(c) Small and small disadvantaged business concern source list, guides and other data identifying small and small disadvantaged business concerns will be maintained and utilized by buyers in soliciting subcontracts.

(d) Additions to (or deletions from) the above listed efforts are as follows:

____

____

____

4. The bidder (contractor) agrees that the clause entitled Utilization of Small Business Concerns and Small Disadvantaged Business Concerns and Controlled by Socially and Economically Disadvantaged Individuals will be included in all subcontracts which offer further subcontracting opportunities, and all subcontractors except small business concerns who receive subcontracts in excess of $1 million for construction of a public facility or $500,000 for all others will be required to adopt and comply with a subcontracting plan similar to this one. Such plans will be reviewed by comparing them with the provisions of Public Law 95-507, and assuring that all minimum requirements of an acceptable subcontracting plan have been satisfied. The acceptability of percentage goals shall be determined on a case-by-case basis depending on the supplies/services involved, the availability of potential small and small disadvantaged subcontractors, and prior experience. Once approved and implemented, plans will be monitored through the submission of periodic reports, and/or, as time and availability of funds permit, periodic visits to subcontractors facilities to review applicable records and subcontractor's subcontracting program, unless the contracting agency determines that the bidder (contractor) may be relieved from its obligation to monitor for compliance. If relief in monitoring for compliance is deemed appropriate, the bidder (contractor) understands he will not be relieved of his obligation to review and approve his subcontractor's plans.

5. The bidder (contractor) agrees to submit such periodic reports and cooperate in any studies or surveys as may be required by the contracting agency of the Small Business Administration in order to determine the extent of compliance by the bidder with the subcontracting plan and with the clause entitled Utilization of Small Business Concerns and Small Business Concerns Owned and Controlled by Socially and Economically Disadvantaged Individuals, contained in the contract.

6. The bidder (contractor) agrees that he will maintain at least the following types of records to document compliance with this subcontracting plan:

   (a) Small and small disadvantaged business concern source lists, guides and other data identifying SB/SDBC vendors.

(b) Copies of subcontractor's representations concerning their status as small and small disadvantaged business concerns, written and dated during the current fiscal year.

(c) Organizations contacted for small and disadvantaged business sources.

*(d) On a contract-by-contract basis, records on all subcontract solicitations over $100,000, indicating on each solicitation (1) whether small business concerns were solicited, and if not, why not; (2) whether small disadvantaged business concerns were solicited, and if not, why not; and (3) reasons for the failure of solicited small or small disadvantaged business concerns to receive the subcontract award.

(e) Records to support other outreach efforts: Contracts with Minority and Small Business Trade Associations, etc. Attendance at small and minority business procurement conferences and trade fairs.

(f) Records to support internal activities to guide and encourage buyers: Workshops, seminars, training programs, etc. Monitoring activities to evaluate compliance.

*(g) On a contract-by-contract basis, records to support subcontract award data to include name and address of subcontractor.

(h) Records to be maintained in addition to the above are as follows:

____

____

____

Signed: ________________________

Typed Name: ________________________

Title: ________________________

Date: ________________________

Plan Accepted By: ________________________
Contracting Officer

Date: ________________________

*Does not apply to Annual Commercial Product Plans

SMALL BUSINESS/*SMALL DISADVANTAGED BUSINESS DIRECTORY

VENDOR

Aavid Engineering, Inc.
30 Cook Court
P.O. Box 400
Laconia, NH 03247

Acton Computer Technology, Inc.
51 Santa Felicia Drive
Goleta, CA 93117

Advance Components, Inc.
P.O. Box 800067
Dallas, TX 75380

Advanced Plastics, Inc.
5452 S. 94th E. Avenue
Tulsa, OK 74145

Air Quip/Robbeyco Inc.
909 Business Parkway
Richardson, TX 75081

Air Specialites, Inc.
P.O. Box 504
Fort Worth, TX 76101

Alexandria Extrusion Company
County Road #22 North
P.O. Box 847
Alexandria, MN 56308

Allied Bearings Supply Co.
P.O. Box 3263
Tulsa, OK 74101

American Magnetics Corporation
P.O. Box 8
Carterville, IL 62918

Anderson Effects, Inc.
P.O. Box 657
Mentone, CA 92359-0657

Arco Distributors, Inc.
2275 S.W. 66th Terrace
Davie, FL 33317

Arnold Barnes Associates, Inc.
1400 S. Sherman #212
Richardson, TX 75081

Astro-Tex Co.
1301 Summit Suite 1
Plano, TX 75074

Aviv Corporation
26 Cummings Park
Woburn, MA 01801

Barcon, Inc.
Rt. 1, Box 57A
Talala, OK 74080

Beyquist Company
5300 Edine Ind. Blvd.
Minneapolis/St. Paul, MN 55435

B & N Supply Inc.
8149 E. 4th St.
Tulsa, OK 74145

Border Industries
P.O. Box 1375
Eagle Pass, TX 78852

Brainerd Chemical Company
6507 E. 42nd Street
Tulsa, OK 74147

Brooks-Allan, Inc.
3141 MacArthur Blvd.
Northbrook, IL 60062

Caddell-Burns Mfg., Co.
40 East Second Street
Mineola, NY 11501

Calmont Engineering & Electronics Corp.
420 E. Alton Street
Santa Ana, CA 92707

Calprotech Inc.
1166 N. Grove Street
Anaheim, CA 92806

Cameron Packaging, Inc.
7918-R E. 40th Street
Tulsa, OK 74145-3296

Chassis Trak Division
General Devices Co., Inc.
P.O. Box 39100
Indianapolis, IN 46239

Circuit Assembly Corp.
18 Thomas Street
Irvine, CA 92714

Clow Stamping Corp.
Star Rt. Box 23C
Menifield, MN 56465

Collmer Semiconductor, Inc.
14368 Proton Road
Dallas, TX 75234-3235

Combined Technology Companies
7333 E. 38th Street
Tulsa, OK 74145

Crown Semiconductor, Inc.
dba Optek
345 Industrial Blvd.
McKinney, TX 75069

Curtis-Young Corporation
2550 Haddonfield Road
Pennsauken, NJ 08110

Daisytek
10440 Markison Road
Dallas, TX 75238

Daisy Wheel Ribbon Co., Inc.
9375 Archibald #401
Cucamonga, CA 91730

*Data Display Products
P.O. Box 01072
Los Angeles, CA 90009

Datamarl Daisytek
3328 W. First St.
Santa Ana, CA 92703

Datec, Inc.
200 Eastowne Drive, Suite 203
Chapel Hill, NC 27514

Deltrol Controls
2745 S. 19th Street
Milwaukee, WI 53215

Deltron, Inc.
Wissahickon Avenue
North Wales, PA 19454

Densitron Corp. of America E-M D
9 S. Mulberry Street
Troy, OH 45373

Diamond Electronics, Inc.
2400 Main Street, Suite 201
Irvine, CA 92714

EAO Switch Corporation
198 Pepe's Farm Road
P.O. Box 552 M.O.
Milford, CT 06460

EBSCO Spring Co., Inc.
4949 S. 83rd E. Ave.
Tulsa, OK 74145

Electrocube, Inc.
1710 S. Del Mar Avenue
San Gabriel, CA 91776

Electro Enterprises, Inc.
P.O. Box 11456
3601 N. I-35
Oklahoma City, OK 73136

Electronic Hardware Corp.
320 Broad Hollow Road
Farmingdale, NY 11735

*E.O.I.
560 Broadhollow Road
Melville, NY 11747

Formation
5000 Snapfinger Woods Dr. Bldg. C
Decatur, GA 30035

Formation, Inc.
823 East Gate Drive
Mt. Laurel, NJ 08054

Galvin Industries
828 W. 24th St.
Tempe, AZ 85282

Genesee Stamping Company
2001 E. Randol Mill
S-117
Arlington, TX 76011

Graphic Electronics
1143 S. 71st E. Avenue
Tulsa, OK 74112

Gruen Mfg. Co.
2631 Brenner Drive
Dallas, TX 75220

G.T. Industries
9525 E. 55th
Tulsa, OK 74145

Guardian Electric Mfg. Co.
1550 W. Carroll Avenue
Chicago, IL 60607

Hallmar Manufacturing Co., Inc.
3232 N. Mingo Road
Tulsa, OK 74116

Hanna Rubber Company
1512 Main Street
Kansas City, MO 64108

Harrison Equipment Co., Inc.
P.O. Box 3268
Houston, TX 77001

Harrison Equipment Co., Inc.
Dallas Branch
14282 Gillis Road
Dallas, TX 75234

Heinemann Electric Company
2630 Brunswick Pike
P.O. Box 6800
Lawrenceville, NJ 08648-0800

Helwig Carbon, Inc.

Hi-Pro Metal Stamping Co.
2021 W. Detroit Street
Broken Arrow, OK 74012

Indel-Davis Inc.
4401 S. Jackson
Tulsa, OK 74136

Industrial Marking Company
P.O. Box 700148
Tulsa, OK 74170

Industrial Thermoform
1211 Industrial Way
Cedar Hill, TX 75104

Interstate Wire Company, Inc.
2622 National Place
Garland, TX 75041

Jaco Electronics
1909 Glenville Drive
Richardson, TX 75080

J.K. Electronics, Inc.
dba Wesco Electrical Company

Laser Industries Inc.
360 Merrimack Street
Lawrence, MA 01842

*LBI Electro-Optics Corporation
10777 Harry HInes Blvd.
Dallas, TX 75220

Lewis Inst. Co.
1402-F N. Harvard
Tulsa, OK 74115

Loonam Computer Products
7720 Bush Lake Road
Minneapolis, MN 55435

Marsuco
7333 E. 38th Street
Tulsa, OK 74145

Melton Ross Company
511 2nd So. Pk.
Southampton, PA 18966

Metal Bellows Corporation
1075 Providence Highway
Sharon, MA 02067

Midwest Supply Co.
1742 E. 6th St.
Tulsa, OK 74104

Minor Rubber Co., Inc.
3406 Wiley Post Road
Carrollton, TX 75006

Moulder-Oldham Company
P.O. Box 519
Tulsa, OK 74101

National Crystal Company

Printed Products, Inc.

National Precision Products Company
P.O. Box 20272
5049 Denton Drive
Dallas, TX 75220

Navy Brand Manufacturing Company
5111 Southwest Avenue
St. Louis, MO 63110

Norwell Electronics Inc.
P.O. Box 801207
Dallas, TX 75380

Pacific Electronic Engineering, Inc.
635 Vaqueros Avenue
Sunnyvale, CA 94086

Packaging Foam Fabricators, Inc.
Route 2, Box 67-21A
Ozark, MO 65721

Packaging Service Corporation
3001 West Kentucky Street
Louisville, KY 40211

Pericomp Corporation
14 Hurow Drive
Natwick, MA 01760

Philway Products, Inc.
701 Virginia Avenue
Ashland, OH 44805

Plastic Engineering Co.
P.O. Box 470532
Tulsa, OK 74147

*Precise Machining & Mfg., Inc.
12716 East Pine
Tulsa, OK 74116

Production Control Services, Inc.
20834 Lassen Street
Chatsworth, CA 91311

Quality Components, Inc.
P.O. Box 113
St. Marys, PA 15857

Quick-Way Stampings, Inc. of Texas
P.O. Box 458
Euless, TX 76039

Radio, Inc.
1000 South Main
Tulsa, OK 74119-2499

RAE Corporation
5801 W. Elm Street
McHenry, IL 60050

REN Electronics Corporation
755 New Ludlow Road
South Hadley, MA 01075

Richco Plastic Company
5825 N. Tripp Avenue
Chicago, IL 60646

Service Fastener Center, Inc.
7154 Space Center II
7101 East 38th Street
Tulsa, OK 74145

Shearson Electronics
10920 Switzer Ave., Suite #102
Dallas, TX 75238

Southern States Marketing, Inc.
P.O. Box 3112
Richardson, TX 75083

Specialized Products Co.
2324 Shorecrest Drive
Dallas, TX 75235

Star-Trek Industries
2515 Rio Grande NW
Albuquerque, NM 87104

Sterling Electronics
4732 S. Mingo Road
Tulsa, OK 74146

Tape Specialists, Inc.
5280 S. 100th E. Avenue
Tulsa, OK 74145

Techalloy Illinois, Inc.
P.O. Box 423
Union, IL 60180

Test Probes, Inc.
7720 Herschel Avenue
La Jolla, CA 92037

Texas Components
Division of Joan M. Lewis Co., Inc.
8235 Douglas Avenue, Suite 1000
Dallas, TX 75225

The George Evans Corporation
121-37th Street
Moline, IL 61265

Trilogy Magnetics, Inc.
150 N. Mill Creek Road, Suite G
P.O. Box 3470
Quincy, CA 95971

Trinity Plastics, Inc.
901 Industrial Blvd.
Saginaw, TX 76179

TTI, Inc.
4033 E. Bellknap
Ft. Worth, TX 76111

Tulsa Precision Mfg., Co.
P.O. Box 3497
Tulsa, OK 74101

Tulsa Rubber Company
5202 S. Garnett Road
P.O. Box 470692
Tulsa, OK 74147

Tulsa Screw Products
2415 E. 13th Place
Tulsa, OK 74105

Unitrace Inc.
3350 Scott Blvd., Bldg. 11
Santa Clara, CA 95051

U.S. Magnetics Corporation
5353 W. 145th Street
Lawndale, CA 90260

Vocational Training Center
Children's Medical Center
5300 E. Skelly Drive
Tulsa, OK 74135

Wesche Company
2005 E. 7th Place
P.O. Box 217
Tulsa, OK 74101

Wilson Concepts of Florida, Inc.
1408 S.W. 8th Street
Pompano Beach, FL 33069

Senator NICKLES. Mr. Smith, thank you very much. I might ask you—you or Mr. Jerd, either one—what percentage of your sales, the sales of Telex, would be presently for Government?

Mr. SMITH. The Telex computer products portion of Telex—we are in excess of a $600 million company. In terms of hardware this year we'll sell roughly $20 million, and approximately an equal amount as concerns services. So we're approaching $40 million, which is somewhere out there of 10 percent.

Senator NICKLES. So it's still a significant percentage, but a very small percentage on the overall operations of your business?

Mr. SMITH. I think so.

Senator NICKLES. But one that you're trying to have expanded?

Mr. SMITH. Definitely.

Senator NICKLES. And also just in brief comment, too, you mentioned that GSA, as far as their regional procurement for computers and technology, were relatively doing a pretty good job, but then you found out in some other areas where it wasn't quite so standardized, that you would have trouble getting in the door.

Mr. SMITH. Well, not only getting in the door but finding the qualified people that understood the computer industry so that the specifications were requiring state-of-the-art equipment and capabilities. When the Government uses the more professional central selection offices such as AFCAC or ADPSO, we find the quality of the people putting the specifications together to be superior and, generally speaking, the Government does a litte bit better job.

Senator NICKLES. And generally you feel if the Government does a better job in the solicitation process, your company would come out better?

Mr. SMITH. Oh, yes, sir.

Senator NICKLES. You like competition?

Mr. SMITH. Yes, sir.

Senator NICKLES. That's great.

Mr. Walker, a quick question to you on Rockwell. You have how many employees in Tulsa?

Mr. WALKER. Between Tulsa and McAlester, close to 5,000 employed now.

Senator NICKLES. About 5,000 people. That's increased substantially because of the B-1 program?

Mr. WALKER. Substantially, yes.

Senator NICKLES. You are also buying on contracts when you're buying outside. Do you have a figure for that?

Mr. WALKER. Where we're buying outside, how we're spending the bucks?

Senator NICKLES. No.

Mr. WALKER. Well, let me do this. Let me throw a couple of numbers up here. I think they're impressive enough to take the time, if you don't mind.

Senator NICKLES. If you're going——

Mr. WALKER. It will just take a moment.

Senator NICKLES. It will have to be quick. The Air Force is going to run me out of here.

Mr. **Walker**. There's $138 million placed in 1985 for small business out of Tulsa. Of that, $30 million of it went into Oklahoma. Through our outreach we're trying to drag a lot of that out of California, which is the largest recipient of it, and pull it into Oklahoma. We've done a good job of that so far. Let me just show you very quickly where those bucks are being spent in Oklahoma.

The majority of them, of course, are going to Tulsa. Tulsa's got more qualified aerospace based currently than anyplace else in the State. From the graph you see, in descending order, where it's all going, for you folks' benefit that are not in the northern part of the State.

Senator **Nickles**. I appreciate you doing that. That's great. And I concur with the idea; I think it's a real good idea to get some of that California money back.

Mr. **Walker**. I do, too.

Senator **Nickles**. We have had a lot of Oklahomans go to California. Now let's send some of that California money back to Oklahoma.

Mr. **Walker**. Quickly, to answer your question, we've been spending about 50 percent of the procurement dollars out of Tulsa, has been awarded to small business companies.

Senator **Nickles**. Fantastic.

Mr. **Walker**. In 1986, looks like about 70 percent.

Senator **Nickles**. Great. I compliment you on it and I hope that will continue.

Mr. Castleberry, a quick comment. You have some renovation work going on. What's the prospect——

Mr. **Castleberry**. Yes, sir, we do, Senator, and also I want to add, it's under 8(a). They've also done competitive awards. That's the goal, to be competitive in the project. Renovation—the 40th anniversary of Mike Monroney Aeronautical Center; the buildings are 28 years old and, with your help, the Congress will approve—$30.8 million financed through bonds through the Oklahoma City Airport Trust. We hope that project gets underway next month; it should mean about 100 jobs per year for the next 4 years, so that's 400 man-years to get ready to get us to the year 2000. So we appreciate that very much.

Senator **Nickles**. I'm glad to have played a small part, and I look forward to you getting that fixed up and we'll have a good facility for a long time that's providing a very much needed service to our country.

Mr. **Castleberry**. Thank you.

Senator **Nickles**. To all of our panelists—and we went a little longer, and I apologize for the fact that we did go as long as we did—but it's been a very informative hearing, at least for this Senator. I appreciate your cooperation and patience. I encourage you—we're going to work; we're going to stay persistent to see if we can't be successful in getting more of our Government contracts in the State of Oklahoma, and we will work with you. If our office can assist or if this conference that we're going to have—and, I think—Bret, are some brochures available?

Mr. **Bernhardt**. We'll make them available.

Senator **Nickles**. We'll make them available. This conference that will be held at the Myriad on Thursday, April 3, "Doing Business with the Federal Government," is sponsored by the Department of Commerce. Hopefully it will be successful in helping people find out how to do it.

Thank you all very much. We will adjourn the meeting.

[Whereupon, at 1:30 p.m., the committee was adjourned.]

APPENDIX

FLORIDA SMALL BUSINESS DEVELOPMENT CENTERS
A State University System Program
and Sponsored by:
United States Small Business Administration

State Coordinator's Office
The University of West Florida
Building 38
Pensacola, Florida 32514
(904) 474-3016

STATEMENT

of

Gregory L. Higgins, Jr.
State Coordinator

Florida Small Business Development Centers
Pensacola, Florida

BEFORE

Subcommittee on Government Procurement
Committee on Small Business
UNITED STATES SENATE

Tinker Air Force Base
Oklahoma City, Oklahoma

March 22, 1986

A STATE UNIVERSITY SYSTEM SERVICE PROGRAM DEDICATED TO THE INDEPENDENT BUSINESS COMMUNITY
AN EQUAL OPPORTUNITY/AFFIRMATIVE ACTION INSTITUTION

Mr. Chairman, members of the Committee, my name is Gregory Higgins. I am the State Coordinator of the Florida Small Business Development Centers.

It is a real pleasure for me to appear before the Subcommittee on Government Procurement of the Senate Small Business Committee because this gives me the opportunity to personally thank the Committee for the support and encouragement provided to the Small Business Development Center Program. As a result of your support, we have been able to develop a statewide program which last year provided management consulting and training to over 33,000 entrepreneurs in Florida.

Today, I would like to describe how the Florida Small Business Development Center developed its procurement assistance program and how we have utilized the Defense Procurement Technical Assistance Program to strengthen our efforts.

The Florida Small Business Development Center is housed in the State University System. One of the eight participating universities, the University of West Florida, is located in Pensacola and so is right on top of the Pensacola Naval Air Station and 50 miles to the west of Eglin Air Force Base. At the University of West Florida several of the staff were retired military and recognized the value of the market represented by Defense. They also observed small businesses in the area were not really selling to that market to the extent they could have been.

So these folks decided to see if they could develop a program to take advantage of the market represented by Defense; and, as long as they were doing that, they decided they might as well consider market opportunities represented by other federal, state and local agencies.

In developing a program of procurement assistance, there were basically three obstacles to overcome.

First, small businesses did not know which agencies were buying the goods and services they were selling.

Second, small businesses did not know how to approach government.

Third, they were very apprehensive about the procurement process. While they were not sure what it was, they were sure it was very complex.

To overcome the first obstacle we developed a process that is the keystone of our system. It is called Info-Bid and is a computerized system matching vendors with the agencies purchasing their product or service. It is really very simple. On a continuous basis invitations for bids, requests for proposals and requests for quotations from federal, state and local governmental agencies and some private firms are entered into the system in a very brief summary form.

A business interested in participating can come into the Small Business Development Center, describe what it sells, and be entered into the system using a five digit code based on the Standard Industrial Classification Code. Then every week the business will be mailed a summary of those bid opportunities relevant to that business.

So Info-Bid takes care of locating the market. It also begins to overcome the second obstacle, knowing how to approach government, since the summary includes the name, telephone number and address of the purchaser; and businesses are advised to make contact and to request a full bid package.

We view this Info-Bid Program as an educational tool. That is, a small business can use this to locate the market. It can get on the bidder's list for those agencies that routinely buy products the vendor sells. Once a business has located its market we encourage it to get off the system.

In terms of knowing how to approach government, we also offer workshops and procurement conferences where we can provide businesses with the generalized knowledge they need to enter the government market. It is also in these conferences and workshops where we begin to assist business in confronting the issue of complexity.

We have found the business new to the government procurement process usually needs the one-on-one assistance that can only be provided in a consulting relationship. Our consultants will sit down with a business and teach them, step-by-step, how to go through the process. I emphasize the work "teach." We will not prepare a bid or any part of it, but will teach the businesses how to prepare it themselves.

As I indicated, the Info-Bid Program was initially developed at the University of West Florida. By 1983 it was in operation as an integrated, statewide system accessible to businesses anywhere in Florida.

We very shortly began to discover the system created demand for services we were unable to meet. We could provide, through Info-Bid, the information on the markets; but we lacked a very important ingredient, a trained group of consultants to provide the critical, one-on-one education on how to successfully compete in the market. In this situation, the beginning of the Department of Defense Procurement Technical Assistance Program provided a means to increase our system-wide expertise and capabilities to provide the education demanded.

We designed and submitted to the Department of Defense a proposal which utilized the statewide Small Business Development Center network already in place and upgraded the network as follows:

First, we added defense procurement personnel in the five centers in which we felt demand was likely to be the greatest, Miami, Tampa, Orlando, Jacksonville, and Pensacola.

Second, with the Department of Defense, we implemented a training program for our own personnel to bring them up to speed on defense procurement.

Third, we designed an outreach program to increase the visibility of the government market. We scheduled a minimum of 15 seminars.

Fourth, we established an evaluation system to determine whether or not what were doing was making a difference.

We have had the Department of Defense Program in operation in effect since September, 1985 and a copy of the first quarterly report has been submitted as a part of the record. We have completed the upgrading of our staff skills. In terms of meeting our goals for consulting and training, we are slightly ahead of schedule with 125 clients counseled and 394 attending seven training seminars. While evaluation of the total program at this time would be premature we do know of individual businesses experiencing successes and I would like to share a few of these examples with you.

Case #3081

An owner of a hydraulic pumps, seals, and accessories business had been selling to government agencies in the Jacksonville area for two years and believed she had identified all government market opportunities. After attending the Government Procurement Conference and a follow-up meeting with the Small Business Development Center procurement counselor, she doubled her listing of potential government customers. Within two weeks, she received three inquiries from buyers she located through the Small Business Development Center.

Case #1554

This business requested assistance in marketing to identify potential government contracts where extensive land clearing/tilling equipment and associated expertise could be used. Initial counseling identified several areas including mowing and brush cutting, seedbed preparation, tree planting and related forestry tasks. The firm initiated a well-developed effort to market government and commercial firms throughout the Southeast. One initial opportunity was a solicitation from Tyndall Air Force Base, Florida for brush cutting at the Drone Recovery Site. After a site visit, additional assistance was provided in bid preparation, pricing and work specifications. The firm was the low bidder and was awarded a contract for approximately $15,000 which provided a substantial profit. Currently the firm has bids pending for seedbed preparation and wildlife habitat improvements at Fort Rucker, Alabama.

Case #2932

In October, 1985, the client began a business providing computer installation, service, programming and supplies. He came into the Small Business Development Center with knowledge of a local Navy activity desiring his services and requested assistance in establishing a contract.

With information provided by the Small Business Development Center, he successfully established his first contract for $2,000. He then placed solicitation mailing applications at additional Department of Defense activities in the vicinity. By December the client was receiving an average of five purchase orders a week, and his sales from Department of Defense activities using small purchase procedures totaled $18,000 during his first three months of operation. The client credits these sales to information and encouragement provided by the Small Business Development Center's Defense Procurement Specialist.

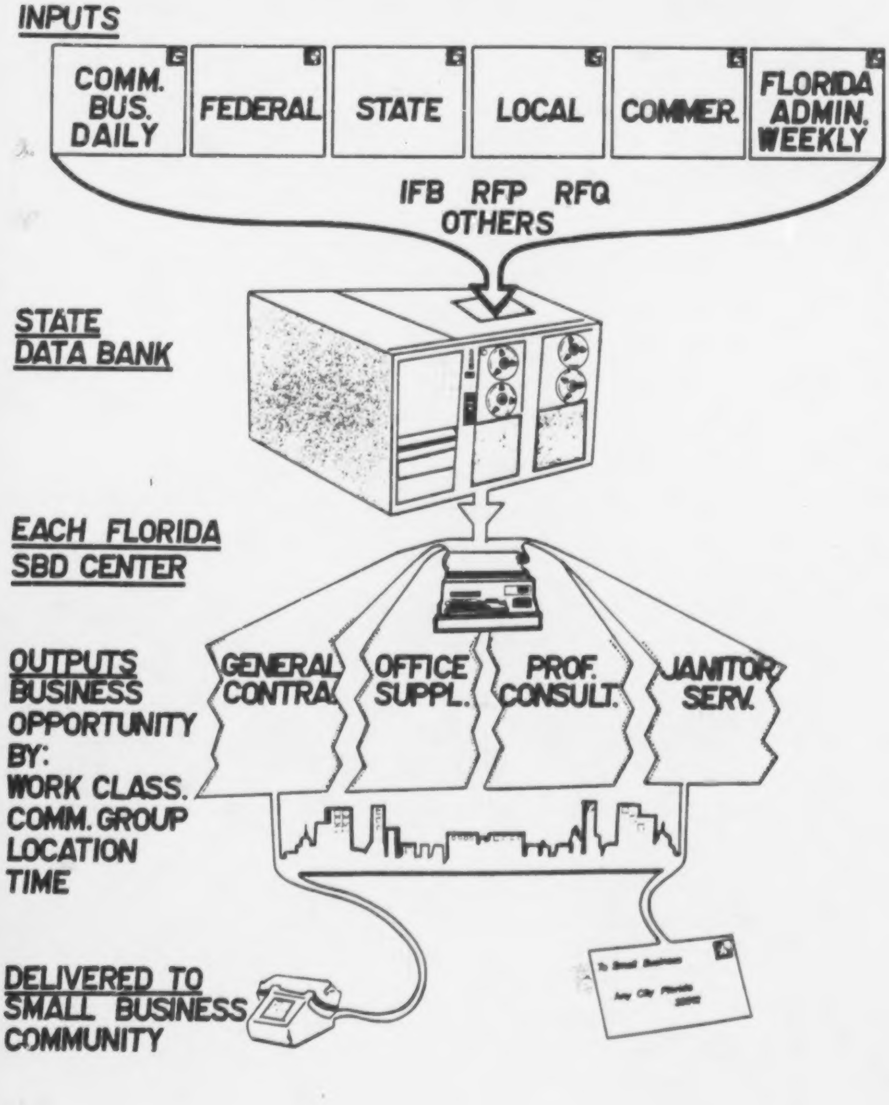
Case #2529

A new plastic and rubber injection molding firm with significant manufacturing and development capability requested assistance in identifying federal markets. The assistance included identification of Department of Defense agencies that procure plastic and rubber items. The client mailed completed Standard Forms 129 to each identified procurement office. Several invitations of bids have been received that are within the manufacturing capability of the firm's existing equipment. Follow-on assistance has been provided in bid preparation and pre-award survey preparation. Further assistance is planned to identify additional state and commercial markets.

I would also note our Info-Bid System is one we are quite willing to share with other Small Business Development Centers. So far, five have adopted the program. They are New Jersey, Alabama, Wisconsin, Maine, and South Carolina. Four other state Small Business Development Centers are scheduled to come look at the program; and I am happy to say Oklahoma is among these.

In summary, I would, again like to thank the Committee for its support and to note that the Department of Defense Program has enabled us to provide an element which is critical to the success of any procurement assistance effort. That element is a staff of trained consultants to work directly with the business as it begins its entrance into the government market.

INFO BID PROCUREMENT ASSISTANCE FOR FLORIDA SMALL BUSINESS

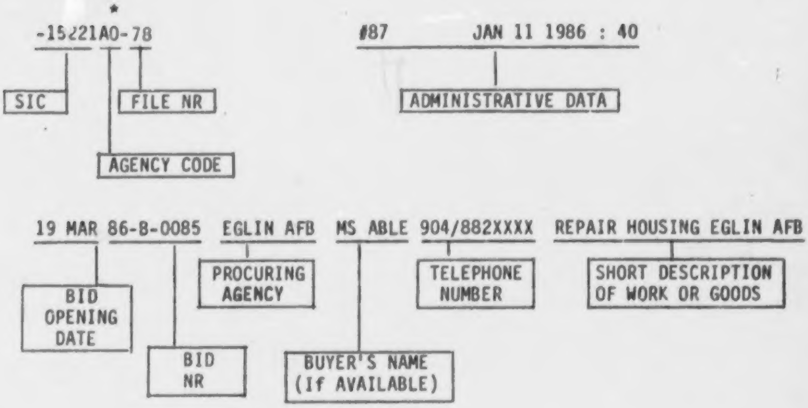

INPUTS
COMM. BUS. DAILY
FEDERAL
STATE
LOCAL
COMMER.
FLORIDA ADMIN. WEEKLY
IFB RFP RFQ
OTHERS
STATE DATA BANK
EACH FLORIDA SBD CENTER
OUTPUTS
BUSINESS OPPORTUNITY BY:
WORK CLASS.
COMM. GROUP
LOCATION
TIME
GENERAL CONTRA.
OFFICE SUPPL.
PROF. CONSULT.
JANITOR. SERV.
DELIVERED TO SMALL BUSINESS COMMUNITY

INFO BID FORMAT

PART I - SAMPLE SUMMARY MODE

-15221AO-78 #87 JAN 11 1986 : 40
19 MAR 86-B-0085 EGLIN AFB MS ABLE 904/882XXXX REPAIR HOUSING EGLIN AFB

EXPLANATION:


*
-15221AO-78
SIC
FILE NR
AGENCY CODE
#87 JAN 11 1986 : 40
ADMINISTRATIVE DATA
19 MAR
86-B-0085
EGLIN AFB
MS ABLE
904/882XXXX
REPAIR HOUSING EGLIN AFB
BID OPENING DATE
BID NR
PROCURING AGENCY
BUYER'S NAME (If AVAILABLE)
TELEPHONE NUMBER
SHORT DESCRIPTION OF WORK OR GOODS

PART II - SAMPLE FULL TEXT

CONSTRUCTION/RENOVATION

015221AO-78 #87 JAN 11 1986 : 40
19 MAR 86-B-0085 EGLIN AFB MS ABLE 904/882XXXX REPAIR HOUSING EGLIN AFB
WORK INCLUDES REPLACING WOOD BASE DOORS, HARDWARE, PLASTER, WINDOWS, KITCHEN SINK AND CABINETS, BATHROOM LAVATORIES AND FIXTURES, EXHAUST FANS, RANGE HOODS, INSTALL BATH VANITIES GOVERNMENT FURNISHED DISHWASHERS AND GARBAGE DISPOSALS ELECTRICAL PAINTING AND PLUMBING EST VALUE 100000 TO 500000.

SUPPLY

-2811A5-9I- #449 FEB 20 1986 : 30
18 MAR #S-0772-86 CONSOLIDATED CITY OF JACKSONVILLE FL MR BATCHELOR 904/633-XXXX. REQUEST PROTECTIVE COATING SUCH AS 10 GLS OR MORE EPOXY-ESTER COATING AND 10 GLS OR MORE ACRYLIC COATINGS-EXTERIOR JACKSONVILLE FL.

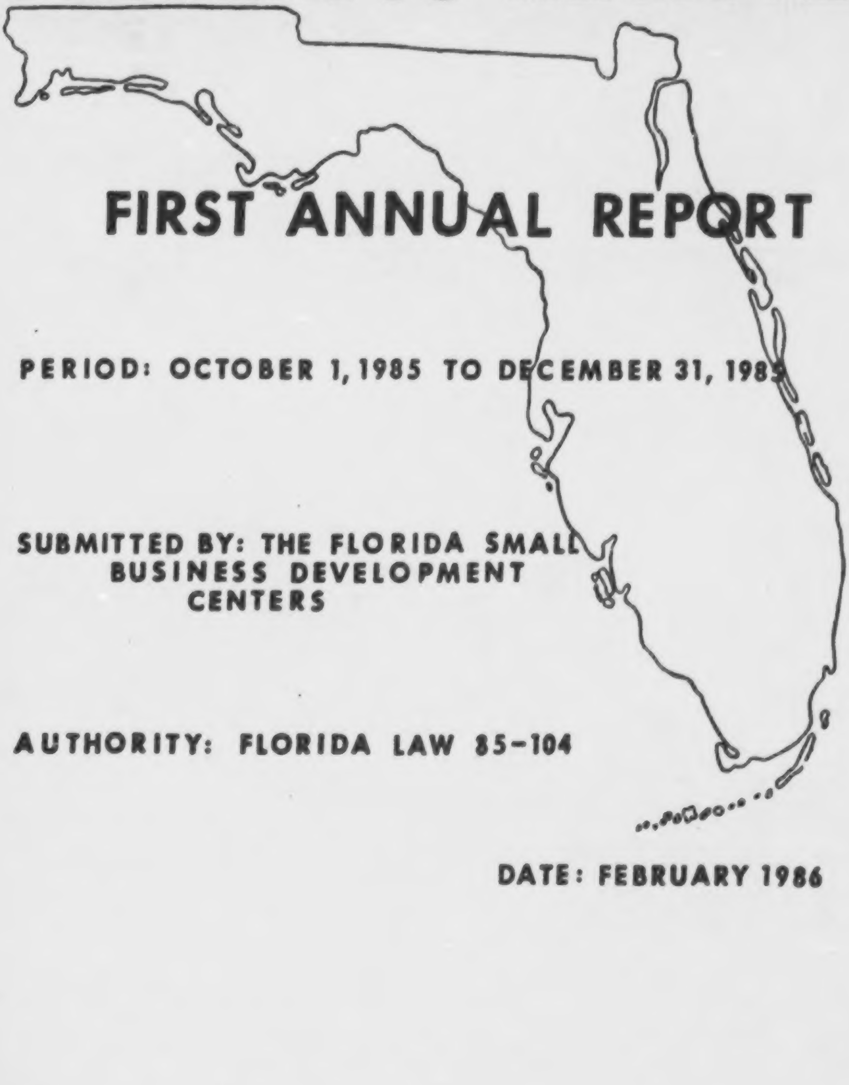
SERVICES

-73491AS-98- #437 FEB 20 1986 : 20
04 MAR #2973-86 DEPT HIGHWAY SAFETY & MV TALLAH FL PURCHASING 904/433XXXX
REQUEST JANITORIAL SVCS DRIVERS LICENSE OFFICE KISSIMMEE FL.

PRINTING

-27511AH-CQ- #488 FEB 21 1986 : 20
13 MAR #FDC-86-031PT DEPT OF COMMERCE TALLAH FL 904/488XXXX. REQUEST PRINT 75,000 'WE'RE GLAD YOU'RE HERE' WINDOW DECALS TALLAH FL.

FLORIDA STATEWIDE CONTRACTS REGISTER



FIRST ANNUAL REPORT

PERIOD: OCTOBER 1, 1985 TO DECEMBER 31, 1985

SUBMITTED BY: THE FLORIDA SMALL
BUSINESS DEVELOPMENT
CENTERS

AUTHORITY: FLORIDA LAW 85-104

DATE: FEBRUARY 1986

FLORIDA SMALL BUSINESS DEVELOPMENT CENTERS
REPORT ON THE USE OF THE STATEWIDE CONTRACTS REGISTER

INTRODUCTION: The passage of the Florida Small and Minority Business Assistance Act of 1985 signaled Legislative recognition of the importance of small and minority businesses in the economic development and well being of the state. The provisions of Section 4 requiring the Florida Small Business Development Centers to maintain a Statewide Contract Register were designed to increase the capability of small and minority businesses to participate in the market represented by state government purchases. The provisions requiring state agency participation significantly strengthened the ongoing Info Bid procurement program of the Florida Small Business Development Centers.

IMPLEMENTATION: Since the effective date for implementation of the Small and Minority Business Assistance Act was October 1, 1985, groundwork for implementation began immediately following passage of the statute.

STATEWIDE AGENCY COORDINATION: So state agencies would understand their responsibilities with respect to the Contracts Register, program information was provided on September 12, 1985 and agencies were requested to designate a contact person for the program.

Because the Bureau of Business Assistance of the Florida Department of Commerce has major responsibilities under the Act, and since it was anticipated the Bureau would advise many businesses to take advantage of the Contracts Register, a Memorandum of Agreement to promote coordination between the Department and the Small Business Development Centers was developed and signed (copy attached).

PUBLICITY: To advise the small and minority business community of the availability of the program, descriptions were included in all newsletters of the individual Small Business Development Centers (examples attached). Further the Centers' statewide newsletter DIVIDEND$ carried an article by Representative Beverly Burnsed, Chairman of The House Commerce Committee, on the significance of the Act and of the Statewide Contracts Register.

To encourage small and minority business participation, seminars on the Act were also held around the state. At the largest (over 500 attendees) of these procurement seminars, cosponsored by the University of North Florida Small Business Development Center and held in Jacksonville in November, Representative George Crady, Chairman of the House Subcommittee on Small Business addressed the group and encouraged use of the Register.

A special promotional brochure describing the Register and listing the twenty locations at which a business could sign-up was developed and distributed (copy attached).

RESULTS: In the period October 1 - December 1985, 909 invitations to bid were received from state agencies (see Table 1) and 253 additional individuals signed-up to participate in the register. These individuals were added to the existing base of 1834 individuals participating as of October 1, 1985. That the register is being used by minority businesses as defined in the Act is demonstrated in Table 2.

TABLE I
AGENCY PARTICIPATION IN STATEWIDE CONTRACTS REGISTER

	1985 Solicitations Received
STATE	3,360
FEDERAL	5,010
LOCAL	2,257
OTHER	184
TOTAL	10,811

The following information is relative to solicitations received from state agencies. This report covers the period October 1, 1985, through December 31, 1985.

(1) Total number of solicitations received from state agencies: 909

(2) Number of solicitations received from each state agency:

Dept. of Administration	6
Dept. of Agriculture and Consumer Services	11
Dept. of Business Regulations	1
Dept. of Citrus	1
Dept. of Commerce	8
Dept. of Community Affairs	3
Dept. of Corrections	18
Dept. of Education	37
Dept. of Environmental Regulations	9
Game and Fresh Water Fish Commission	14
Dept. of General Services	161
Dept. of Health & Rehabilitative Services	35
Dept. of Highway Safety and Motor Vehicle	63
Dept. of Insurance & Treasury	7
Dept. of Labor & Employment Security	21
Dept. of Law Enforcement	2
Dept. of Legal Affairs	1
Dept. of Military Affairs	3
Dept. of Natural Resources	76
Dept. of Professional Regulations	22
Public Service Commission	1
Dept. of Revenue	2
Dept. of Transportation	172
State University System	234*

*Breakdown by University follows

SUS Office	(7)
FAMU	(0)
FAU	(13)
FIU	(23)
FSU	(52)
UCF	(27)
UF	(1)
UNF	(13)
USF	(68)
UWF	(30)

TABLE II
TOTAL BUSINESSES AND BUSINESSES UTILIZING THE CONTRACTS REGISTER WHICH ARE OWNED BY MINORITIES

Total Number of Businesses Utilizing the Service	2,087
Percentage of businesses utilizing the Contracts Register which are owned or controlled by minorities	26%

Breakdown by Minority Classification:

Black American	166	8%
Puerto Rican	1	-
American Indian	10	.5%
Hispanic American	110	5%
Asian American	14	.8%
Eskimo Aleutian	0	-
Native Hawaiian	0	-
American Women	233	11%
Physically Handicapped	0	-
TOTAL	534	26%

METHOD OF DISTRIBUTING SOLICITATIONS: The Statewide Contracts Register is a computerized data bank of current bid opportunities from all state agencies, federal and local government agencies and participating commercial firms. Each bid opportunity is coded using industry or work classification. Bid opportunities are summarized and are continuously entered into the system as they are received. Each week small businesses are mailed the summaries of the new bid opportunities matching their capabilities. Examples for printing jobs and architectural services are attached.

THE IMPACT: The collection of impact data, to the extent feasible, is a feature of all programs operated by the Florida Small Business Development Centers. Since the purpose of the Register is to introduce small and minority businesses to the market represented by government, there may be several measures of success. The first measure would be whether the business bid. A second measure whether they were successful. A third measure would be dollar value of contracts received.

In December 1985, each center was requested to conduct a mail or telephone survey to determine level of participation and success with the Info-Bid/Contracts Register System. Since the Contracts Register is actually a strengthened version of the previously existing Info-Bid system, no effort was made to separate the results. Table III demonstrates the results of the survey. In evaluating these data several points should be kept in mind. First, a substantial number of businesses are reluctant to report results. Second, this survey will greatly underestimate long-term impact; because once businesses have become successful at competing in the government market, they are removed from the system.

TABLE III
SURVEY RESULTS OF CONTRACTS REGISTER/INFO-BID BUSINESS PROGRAM 1985

Businesses Surveyed	1734
Bids Submitted	1006
Successful Bids	305
Value of Successful Bids	$14,335,000

Agency from which awards were received	Number of Awards	Dollar Value of Awards
State	44	$5,388,550
Department of Defense	40	1,580,400
Other Federal	29	1,652,006
Local	41	1,340,774
Other (Not previously identified)	151	4,373,210

CONCLUSION: The implementation of the Statewide Contracts Register by the Florida Small Business Development Centers has proceeded fairly smoothly. While the impact survey does not provide precise measurement, it does strongly support the value of the program. As the program becomes more visible within the small and minority business communities and as additional units of local government and private companies recognize the value of the Register to their procurement systems, the impact is expected to increase dramatically.

FLORIDA
SMALL BUSINESS
DEVELOPMENT CENTERS

INFO-BID

YOUR ACCESS TO THE OFFICIAL

STATEWIDE
CONTRACTS
REGISTER

CONTAINING SUMMARIES OF CURRENT

FORMAL SOLICITATIONS
FROM ALL STATE AGENCIES

PLUS

FEDERAL AND LOCAL
GOVERNMENT OPPORTUNITIES

ALSO

SPECIALIZED ASSISTANCE
AND COUNSELING IS AVAILABLE

More Details Inside...
or
Contact Your Servicing SBDC

INFO-BID ASSISTANCE

Includes The Florida "Statewide Contracts Register"

What Is It:

- A computerized state data bank of current formal bid opportunities from:
  - All State Agencies
  - Federal and Local government agencies

  plus participating
  - Commercial firms
- The data is coded using industry or work classification and includes the bid date, bid number, purchasing agency or firm, buyer name (if known), area code and telephone number, a brief synopsis of the requirement and non standard conditions.

How It Works:

- Each week, interested small businesses are provided copies of new bid summaries that match their capabilities.
- Firms are urged to review the summaries and select those located in their market area that are within their capabilities.
- Call or write the purchasing agency (use phone number or address in summary), request a bid set (use bid number in summary).
- Consider asking the agency to include your firm on their bidders' list so you will receive future solicitations directly from the agency.
- When you have located your market notify your servicing SBDC and the INFO BID summaries will be discontinued.

Counseling:

- Marketing assistance and counseling to identify those government agencies that repetitively buy the service or products of your firm.
- Specialized counseling on bid, performance and payment bonds. How to establish a bonding line and cost of bonding. Also implications of federal laws relating to wages and fringe benefits.
- Counseling on how to analyze and prepare an invitation for bid or request for proposal. Pricing considerations including material, labor, and overhead allocation relative to a specific opportunity.

Technical:

- A specialized microfilm library of documents routinely referenced in federal government bids, proposals and contracts.
- Revisions to documents are published every 15 days.
- Federal standards and specifications, military standards and specifications, qualified products list (QPL), ANA, and military bulletins, military handbooks, military standard drawings and NASA standards.
- The library is maintained at the University of West Florida SBDC (Pensacola) office and is available to Florida small businesses.
- When sufficient time is not available to obtain these documents from the government depot, copies will be expeditiously provided for a nominal charge to recover copying and mailing cost.

Contact Your Servicing Small Business Development Center

FLORIDA SMALL BUSINESS DEVELOPMENT CENTERS

A State University System Program

Boca Raton
Florida Atlantic Univ
(305) 393-3662

Deland
Stetson Univ
(904) 734-1066

Ft. Lauderdale
Florida Atlantic Univ
(305) 467-4238

Ft. Walton Beach
Univ of West Florida
(904) 678-1143

Gainesville
Univ of North Florida
(904) 377-5621

Hollywood
Florida International Univ
(305) 987-0100

Jacksonville
Univ of North Florida
(904) 646-2476

Key West
Florida Keys
Community College
(305) 294-8481

Lake City
Lake City
Community College
(904) 752-1822

Miami-Bay Vista Campus
Florida International Univ
(305) 940-5790

Miami-Tamiami Campus
Florida International Univ
(305) 554-2274

Ocala
Central Florida
Community College
(904) 237-2111, Ext 280

Orlando
Univ of Central Florida
(305) 275-2796

Palm Beach Gardens
Florida Atlantic Univ
(305) 627-4278

Panama City
Florida State Univ
(904) 763-0378

Pensacola
Univ of West Florida
(904) 474-2908

St. Petersburg
Univ of South Florida
(813) 893-9529

Tallahassee
Florida A&M Univ
(904) 599-3407

Tallahassee
Florida State Univ
(904) 644-6524

Tampa
Univ of South Florida
(813) 974-4274

ANNUAL REPORT 1985

FLORIDA SMALL BUSINESS DEVELOPMENT CENTERS

INTRODUCTION

The programs of the Florida Small Business Development Centers are designed to keep Florida's small businesses profitable and growing. With twenty-one centers throughout Florida, this State University System program provides the management skills necessary to operate successfully in the extremely competitive world of small business. The information contained in this 1985 Annual Report describes the latest accomplishments in the growth of a dynamic program.

IN 1985 . . .

For the first time since becoming a statewide program, The Florida Small Business Development Centers provided an average of five hours of free, in-depth, confidential management consulting to over *10,000* entrepreneurs.

For the first time the Florida Small Business Development Centers received, with the passage of the *Florida Small and Minority Business Assistance Act of 1985*, a State Legislative mandate to provide management assistance to small and minority businesses.

For the first time the Florida Legislature appropriated *state matching funds* to assist the State University System in strengthening the program.

For the first time the Florida Small Business Development Centers acquired *United States Department of Defense* funding to significantly strengthen and supplement the program of procurement assistance for small firms. The Department of Defense funds and the matching funds from the State University System will build the capability to consult with an additional *800* Florida firms.

■ *PRODUCTIVITY*

While 1985 was, indeed, a year in which a number of "firsts" occurred, it was also a year in which the Small Business Development Centers' regular programs continued to grow in an effort to meet ever increasing demand. Figures 1 and 2 vividly demonstrate this growth. In addition to consulting and training shown in these figures, the centers responded to over 63,981 requests for information and made 275 speaking engagements attended by 11,300 people.

FIGURE 1

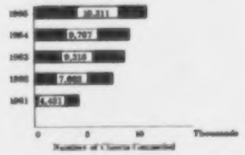


Figure 1 indicates the *demand for one-on-one consulting* has more than doubled since 1981. Although clients are routed into training programs for general business training, the demand for individual counseling far exceeds current resources.

FIGURE 2

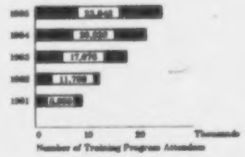


Figure 2 indicates the *attendance for training programs* has almost tripled from 1981 to 1985. In the 629 programs offered in 1985, an average attendance of 37 people received an average of five classroom hours of instruction.

■ *EFFICIENCY*

As the number of clients continued to grow, the use of private sector volunteers and in-kind contributions of office space, printing and other materials enabled the

A State University System Program in cooperation with United States Small Business Administration.

Florida Small Business Development Centers to keep their costs per hour of assistance low. In 1985, over 360 individuals from the private sector donated their time and expertise as presenters at the Small Business Development Center workshops. Also, twelve experienced businessmen served as volunteer consultants with the Florida Small Business Development Centers, and forty-nine Chambers of Commerce donated office space to accommodate the Small Business Development Centers' circuit rider consultants. This private sector assistance and additional cost reduction measures had a marked impact. In fact, from 1981 to 1985 the cost per hour of assistance has actually *decreased* by 13 percent.

■ *EFFECTIVENESS*

Since their inception the Florida Small Business Development Centers have made a continuous effort to determine if the services offered meet the needs of the small business community, and if they have an impact on the performance of the firms assisted. In 1985, surveys were conducted to evaluate the long-term consulting element of the Small Business Development Center program. Figure 3 summarizes the results of a survey of all clients receiving 12 or more hours of assistance in 1983 and compares changes in those firms with changes in all Florida firms in 1984. From these data it is clear Small Business Development Center clients dramatically outperform other businesses. When increases in sales and employment are translated into increases in taxes returned to the state, the analysis demonstrates **for every state dollar spent in the Small Business Development Center program, ten dollars are returned to the treasury**. In other words, this program, alone, generates sufficient state government revenue to pay for the entire Florida Small Business Development Center program.

FIGURE 3

	Average Change for all[1] Florida Business 1983-84	Average Change for SBDC[2] Clients 1983-84
Revenue/Sales	+16%	+28%
Employment	+7.6%	+21%
Profits	not available	+33%

[1]These data compare changes in indicators from 1983 to 1984

[2]All clients surveyed had received 12 or more hours of counseling and/or support

In another evaluation of long term consulting, clients were asked to evaluate the quality of the service and 93 percent rated the consulting as "Excellent, Very Good, or Good." Further, 95 percent stated they would recommend the service to other small businesses.

SPECIAL PROGRAMS

■ *PUBLIC INFORMATION*

The newsletters of the Small Business Development Centers provide a continuing source of information to over 25,000 small businesses around the State. The Small Business Development Centers also serve as an information clearinghouse on small business matters. During 1985 the Centers, at no charge, responded to 63,981 requests for information.

■ *SPECIAL GROUP EMPHASIS PROGRAMS*

In 1985, the Florida Small Business Development Centers continued to strengthen their outreach to minority and women owned businesses through programs designed to address the specific needs of these groups. The success of these efforts is demonstrated by the 1,916 minority and 3,218 women entrepreneurs who took advantage of Small Business Development Center counseling. In terms of training programs, minorities and women were again well represented. Thirteen percent of those attending training were minority persons and 44 percent were women.

■ *EXPORT DEVELOPMENT*

Assistance to exporters was delivered through workshops around the state attended by 590 business persons.

■ *STATEWIDE CONTRACTS REGISTER*

With the passage of the *Florida Small and Minority Business Assistance Act of 1985*, a register of all state agency bid opportunities was integrated with the ongoing Info-Bid system. The Info-Bid system provides participating Florida businesses with weekly summaries of state, federal, local and private bid opportunities pertinent to the particular product or service offered by that business. Figure 4, which is based upon a partial survey of the 2,087 businesses participating, shows forty-four state-agency bids with a value of $5,388,550 were awarded to these businesses.

FIGURE 4
SURVEY RESULTS OF CONTRACTS REGISTER/INFO-BID BUSINESS PROGRAM 1985

Businesses Surveyed	1734
Bids Submitted	1006
Successful Bids	305
Value of Successful Bids	$14,335,000

Agency from which awards were received	Number of Awards	Dollar Value of Awards
State	44	$5,388,550
Department of Defense	40	1,580,400
Other Federal	29	1,652,006
Local	41	1,340,774
Other (not previously identified	151	4,373,210

■ *DEPARTMENT OF DEFENSE PROCUREMENT TECHNICAL ASSISTANCE PROGRAM*

Under a Cooperative Agreement with the Department of Defense to assist small businesses in obtaining a larger share of defense contracts, the Florida Small Business Development Centers Defense Procurement Technical Assistance Program began in 1985. To date small business have shared in over 40 known contracts valued at $1.6 million. Over 500 Florida businesses have received specialized counseling or training in selling their goods and services to the Defense Department.

WHAT SMALL BUSINESS DEVELOPMENT CENTERS CONSULTING CAN DO FOR THE INDIVIDUAL BUSINESSES

Presentation of data, while informative, often fails to convey a real sense of what is actually happening. Perhaps six examples from the thousands of counseling clients will convey a clearer understanding.

- This *Miami* area client came to the Small Business Development Center early in 1984 and was placed on the Info-Bid system. He received a bid summary for a remodeling job at a local university for $11,000. He bid successfully and that contract proved to be the first of many to follow. Shortly thereafter, he was awarded a smaller contract installing underground conduit; and, to date, the client has been awarded four contracts totaling $24,000, all identified by leads from the Info-Bid program.
- This *Pensacola* area client is a retired military veteran. He initially approached this center with little more than a strong desire to "get into business for himself." This client received substantial guidance in constructing a business plan and in the effective procedures for conducting feasibility studies. After a couple of false starts, he contracted with a franchise operation to distribute nutritional supplements, household cleaning supplies, and beauty aids. This client has successfully built his volume of trade to a level permitting personal financial independence and the realization of his standard of living goals.
- The clients are husband and wife owners of a local auto repair shop recently opened in *Key West*. Due to inadequate planning, poor records management, and "after-the-fact" attempts at cash flow control, the business was operating in the red. On the advice of friends who were earlier Small Business Development Center clients, counseling and advice were requested from the Small Business Development Center. A crash program of topical counseling and basic remedial measures was instituted. The business now reports operating in the black, and is no longer in immediate danger of a cash shortfall. Additional longer-term corrective measures are still underway and yet to be fully implemented, but business is brisk and the long-term prognosis is good.
- The *Jacksonville* area client approached the Small Business Development Center to obtain assistance in the area of government procurement. The Center consultant helped the client in pricing service and equipment for a proposed contract and in preparing a time estimate of job performance. The company was awarded the contract. Further service to the client included cash flow and budget analysis, through which the client was able to observe the serious nature of his current spending rate. As a result of this assistance, the business owner curtailed cash purchases and withdrawals in order to preserve limited available funds for healthy continuation of the business operation.
- The owner of a successful engineering services consulting firm in *Orlando* requested assistance in expanding operations into the international marketplace. The Small Business Development Center's international program coordinator successfully placed the client in a long-term contract with a large Canadian corporation. The client estimates the value of the contract at $50,000 per year.
- This *Tampa* area client had an excellent accounting background and sought start-up counseling from the Small Business Development Center to help her launch her own business services company. In addition to providing the client with regulatory advice on occupational licenses, fictitious name compliance, and recommending attendance at the Internal Revenue Service's free tax seminar, the Small Business Development Center helped with arrangements to have

a freelance artist create a logo at a very reasonable price. The client followed all recommendations from the first meeting, and had already obtained her first two accounts. As of this writing, the firm now has a minimum of five clients and is rapidly becoming a successful venture.

■ *FINANCIAL REPORT*

FUNDING SUMMARY		
FEDERAL	1,819,901	46.9%
STATE	2,059,159	53.1%
TOTAL	3,879,060	100%

FEDERAL FUNDS:	
Direct Costs	$1,577,706
Indirect Costs	402,195
Total Federal Funds	1,979,901
Non-matching	160,000
Matching Required	1,819,901

STATE FUNDS:	
Direct Costs	$ 908,179
Indirect Costs	997,180
In-Kind Contributions	153,800
Total State Funds	2,059,159

DISTRICT SBDC DIRECTORY

BOCA RATON
(305) 393-2696

COCOA
(305) 632-4127, Ext. 5561

DELAND
(904) 734-1066

FORT WALTON BEACH
(904) 678-1143

FORT LAUDERDALE
(305) 467-4238

GAINESVILLE
(904) 376-8891

JACKSONVILLE
(904) 646-2476

KEY WEST
(305) 294-8481

LAKE CITY
(904) 752-1822

MIAMI
(305) 554-2272

NORTH MIAMI
(305) 940-5790

OCALA
(904) 854-2333, Ext. 282

ORLANDO
(305) 275-2796

PALM BEACH GARDENS
(305) 627-4278

PANAMA CITY
(904) 763-0378

PEMBROOK PINES
(305) 987-0100

PENSACOLA
(904) 474-2908

ST. PETERSBURG
(813) 893-9529

TALLAHASSEE
(904) 644-6524

TALLAHASSEE
(904) 599-3407

TAMPA
(813) 974-4274

Florida Small Business Development Centers
The University of West Florida
Building 38
Pensacola, Florida 32514
(904) 474-3016

NON PROFIT ORGANIZATION
U S POSTAGE
PAID
PERMIT NO 183
PENSACOLA, FLORIDA

UWF 85-1-86

This publication was produced at an annual cost of $1,194.13 or $.2388 per copy to report to interested persons the activities of the Florida SBDCs

The University of West Florida is an Equal Opportunity/Affirmative Action Institution

Apollo Systems Technology, Inc.
Rt 1, Box 241
Sand Springs, Ok. 74063
918-242-3625

18 March 1986

Don Nickles
US Senate
Washington, DC 20510

Re: Government Procurement, Commissioned brokers

Sir,

I noticed your meeting at Tinker AFB to find ways in which Oklahoma suppliers can obtain more sales to the Air Force. You noted that only one fortieth of the Three and a half billion dollars annually spent there, stays in Oklahoma. With favorable labor conditions, low transportation costs, and sufficient talent, Okies should be able to compete quite well. Yet after forty-four years Tinker has been in Oklahoma, we still are missing the job boat.

There are ways. As the buyers for the Air Force may have explained, there are about 50 major restrictions preventing companies from selling to the Government. One of these requires a certification that the seller has not paid a finders fee to a broker. (See Covenant Against Contingent Fees, DAR 7-103.20). This keeps businesses that can not afford to hire a full time government procurement salesman from competing.

An example is the B-52 which is serviced at Tinker. Boeing (Wichita and Seattle) designed the airplane, and has received billions of dollars worth of work from it. The paper trail from this would make a small mountain. Boeing has dozens of full time employees who do nothing but comply with government red tape. But to carry such an overhead for any other firm which is just trying to break into Government sales is impossible. It is very specialized, and the Congress has made it so. The real estate business works on commission, and the government procurement could do the same. I do not know of any other industry that has such a restriction, it is utter nonsense. Do not blame the Air Force, their hands were tied by Congress.

Oklahoma companies could sell to Tinker, like Boeing, if there were some way that the prohibition on contingency fees could be repealed. This would not violate any rights, and it would save the taxpayer money, by increasing competition. Even if it would take an Act of Congress to amend the procurement laws, in order to provide for such brokerage, it would pay long lasting dividends. Perhaps the brokers should be licensed, or a maximum fee should be specified. I could imagine Union Halls arranging sales in order to boost work for their members. This would give us a big boost, without costing anyone anything.

As Chairman of Government Procurement, you are in an ideal position to propose this. We need the work.

Sincerely,

John Choate

John Choate
Treasurer

cy: Daily Oklahoman